

ARTICLE 4.2. ASSESSMENT OF TANGIBLE PERSONAL PROPERTY

Rule 1. Administration; Procedure

50 IAC 4.2-1-1 Primary definitions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1; IC 6-1.1-31-1

Sec. 1. The definitions in this section apply throughout this article.

(a) “50 IAC 4.2” means Title 50 of the Indiana Administrative Code which is a compilation of all rules promulgated by the state board of tax commissioners as prepared by the Indiana Legislative Council. Article 4.2 pertains to the rules for the assessment of tangible personal property.

(b) “Authority”, which appears before each section of the rule, refers to the title, article, chapter, and section of the Indiana Code delegating the authority to the state board of tax commissioners to promulgate rules concerning the assessment of tangible personal property.

(c) “Affected”, which appears before each section of this article, means the specific title, article, chapter, and section of the Indiana Code that the state board of tax commissioners relied upon in writing that particular section of the article.

(d) “Assessment date” means the assessment date in the state of Indiana is March 1.

(e) “Filing date” means every person owning, holding, possessing, or controlling tangible personal property with a tax situs within the state of Indiana as of March 1 of any year is required to file a personal property tax return by May 15 of that year unless an extension of time to file is obtained.

(f) “True tax value” means the rules promulgated by the state board shall be the basis for determining true tax value (Regulation 13, assessment of mobile homes (50 IAC 3.1); Regulation 16, assessment of tangible personal property (this article); Regulation 17, assessment of real estate (50 IAC 2.1 *[50 IAC 2.1 was repealed filed Sep 14, 1992, 12:00 p.m.: 16 IR 662, eff Mar 1, 1995; errata filed Dec 1, 1992, 5:00 p.m.: 16 IR 1178. See 50 IAC 2.2.]*); Regulation 19, assessment of public utility property (50 IAC 5 *[50 IAC 5 was repealed filed Dec 15, 1993, 5:00 p.m.: 17 IR 969. See 50 IAC 5.1.]*)). True tax value does not mean fair market value. “True tax value” as used in this article means the resultant value of property determined in accordance with the rules issued by the state board, exclusive of those portions of the rule related to determining assessed value.

(g) “Assessed value” or “valuation” means an amount equal to thirty-three and one-third percent (33%) of the true tax value of property as defined in subsection (f).

(h) “Personal property” means:

- (1) nursery stock that has been severed from the ground;
- (2) florists' stocks of growing crops which are ready for sale as pot plants on benches;
- (3) billboards and other advertising devices which are located on real property that is not owned by the owner of the devices;
- (4) motor vehicles (other than motor vehicles subject to the motor vehicles excise tax as provided by law or taxable under the Public Utility Tax Act), mobile homes (to the extent taxable under the Mobile Home Tax Act and the rules issued thereunder), airplanes (other than airplanes subject to the aircraft excise tax), boats (other than those subject to the commercial vessel tonnage tax), and trailers;
- (5) foundations (other than foundations which support a building or structure) on which machinery or equipment is installed; and
- (6) all other tangible property (other than real property) which is being:

- (A) held for sale in the ordinary course of a trade or business;
- (B) held, used, or consumed in connection with the production of income; or
- (C) held as an investment.

Personal property does not include commercially planted and growing crops while they are in the ground, property subject to taxation under the Public Utility Tax Act, or household goods.

(i) “Depreciable personal property” means all tangible personal property as defined in subsection (h), that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article. In general, except as otherwise provided in this article, personal property will be deemed to become depreciable property when a depreciation deduction is allowable for federal income tax purposes.

(j) “Construction in process” means tangible personal property “not placed in service”. It includes tangible personal property which has not been depreciated and is not yet eligible for federal income tax depreciation under Section 167 of the Internal Revenue Code of 1986. It does not include inventory, special tools, leased property, or returnable containers.

(k) “Special tools” includes, but is not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns acquired or made for the production of products or product models which are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Those items of “special tools” being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 4.2-5.

(l) “Personal property and real estate guide” means a listing of questionable items of machinery, equipment, or structures as to their assessability as real estate or personal property for Indiana assessment purposes. Generally, if the item is directly used for manufacture or a process of manufacture it is to be considered as personal property. If the item is land or a building improvement it is to be considered as real estate.

(m)(1) “Inventory” means the aggregate of those elements of cost incurred to acquire or produce items of tangible personal property as defined in subsection (h), which are:

- (A) held for sale in the ordinary course of business;
- (B) are currently in the process of production for subsequent sale;
- (C) are ultimately to be consumed in the production of the goods or services to be available for sale; or
- (D) are utilized in marketing or distribution activities.

(2) The term “inventory” embraces the following:

- (A) Goods awaiting sale. Goods or commodities awaiting sale which include, but are not limited to:
 - (i) the merchandise of a retail or wholesale concern;
 - (ii) the finished goods of a manufacturer;
 - (iii) commodities from farms, mines, and quarries; and
 - (iv) goods which are used or trade-in merchandise and by-products of a manufacturer.

(B) Work in process. Goods or commodities which are in the course of production at the Indiana location, i.e., items needing further processing to be considered finished or ready for shipment.

(C) Raw materials and supplies. Goods which will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, raw materials, supplies, repair parts, expendable tools, and samples.

(n) “Taxing district” means an area within a township having tax levies and rates different from the tax levies and rates in other areas within the same township.

(o) "Tax rate" means a tax rate that is levied at a rate of tax per one hundred dollars (\$100) of assessed valuation by each taxing district.

(p) "Tax payment date" means property taxes that are based on the amount of the March 1 assessment for a given year and are due in two (2) equal installments on May 10 and November 10 of the following year. If any due date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the act that must be performed by that date is timely if performed by the next succeeding day that is not a Saturday, a Sunday, or a holiday. (*State Board of Tax Commissioners; 50 IAC 4.2-1-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 818, eff Mar 1, 1989*)

50 IAC 4.2-1-2 Powers and duties of state board of tax commissioners

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 2. The state board of tax commissioners (hereafter state board) is responsible under Indiana law for promulgating rules, appraisal manuals, bulletins, directives, returns, and forms to govern the assessment of personal property subject to the ad valorem (tax on value) property tax. Duly appointed personnel of the state board have the responsibility for holding hearings and recommending changes in the assessment of the taxpayer's property. The state board may reconsider the evidence submitted at the original hearing or consider additional information submitted subsequent to the original hearing. The state board has the administrative authority to determine the final assessment of personal property. (*State Board of Tax Commissioners; 50 IAC 4.2-1-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 819, eff Mar 1, 1989*)

50 IAC 4.2-1-3 All property taxable

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1; IC 6-1.1-31-1; Article 10, Section 1 of the Indiana Constitution

Sec. 3. (a) Generally, all property shall be taxed as either personal property, real estate, public utility, commercial vessel, mobile home, motor vehicle excise, aircraft excise, intangible or subject to bank tax act unless specifically exempted by law.

(b) Types of personal property which are assessed and the form prescribed in 50 IAC 2-9 [*50 IAC 2 was repealed filed Dec 13, 1989, 5:00 p.m.: 13 IR 864; errata filed Feb 19, 1990, 3:35 p.m.: 13 IR 1187.*], to capture the assessment of that property:

Property	Taxpayer	Form No.
Vehicles: trailers,)	
RV's, snowmobiles,) Individual	101
etc.		
Boats and boat equipment)	
Farm implements and equipment)	
Livestock and poultry) Farmer	102
Grain)	

Inventories) Commercial
Depreciable assets) and Industrial 103

Inventories)
Depreciable assets) Public utility 1

(State Board of Tax Commissioners; 50 IAC 4.2-1-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989)

50 IAC 4.2-1-4 Amendments to rules

Authority: IC 6-1.1-31-1

Affected: IC 4-22-2

Sec. 4. This article may be amended in whole or in part at the discretion of the state board. The procedure for the amendment is specified in IC 4-22-2 and IC 6-1.1-32-8 [*IC 6-1.1-32 was repealed by P.L.41-1993, SECTION 53, effective July 1, 1993.*], which provides as follows:

(1) Notice. A notice shall be published in a newspaper of general circulation printed and published in Marion County, Indiana, and after July 1, 1978, in the Indiana Register at least twenty-one (21) days prior to the date set for a hearing which states the time and place of said hearing and will indicate the subject matter of the rule(s) or amendment(s). In addition to the notice as prescribed above, copies of such proposal(s) shall be forwarded to the members of the advisory council, all duly elected members of the Indiana General Assembly, and to all county and township assessors not serving as members on the advisory council, together with any supporting data or statistical matter, at least twenty-one (21) calendar days prior to the public hearing required by law to be held on the same. Members of the advisory council shall, before or at the public hearing, make their views known in writing to the state board, with respect to such proposals. All commentary, opinions, judgments, and similar statements made by members of the advisory council shall be public records, and shall be maintained as such by the state board.

(2) Availability of copies of proposed amendment. Five (5) copies of the proposed amendment shall be on file in the office of the state board in Indianapolis and two (2) copies shall be delivered to the legislative council, after the notice pursuant to subdivision (1) is given, for any interested party to review.

(3) Hearing. A hearing will be held on the date indicated in the notice to provide any interested party or attorney for any interested party an opportunity to present facts, arguments, views, or written data relevant to the proposed amendments.

(4) Approval. Six (6) copies of the rule(s) or amendment(s) will be submitted to the attorney general for approval as to legality, and when so approved, to the governor for approval.

(5) Effective. The original and one (1) copy of the approved amendments must be filed with the secretary of state and one (1) duplicate approved copy must be filed with legislative council. The rule or amendment shall be effective thirty (30) days from the date and time filed with the secretary of state.

(State Board of Tax Commissioners; 50 IAC 4.2-1-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989)

50 IAC 4.2-1-5 Instructional bulletins

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 5. (a) Issuance. The state board may issue instructional bulletins. The instructional bulletins, designated I-89-1, I-89-2, etc., will be utilized to instruct taxing officials of their duties and provide administrative forms to be used by taxpayers, local and county officials as required by the various rules of the state board. These instructional bulletins will be effective for the year designated and will remain in effect for subsequent tax years unless specifically rescinded or revised by subsequent directives or instructional bulletins.

(b) Availability. Copies of instructional bulletins issued pursuant to this article may be obtained for a fee of twenty-five cents (\$.25) per page plus mailing costs by contacting:

State Board of Tax Commissioners

Division of Tax Review

201 State Office Building

Indianapolis, IN 46204

(State Board of Tax Commissioners; 50 IAC 4.2-1-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989)

50 IAC 4.2-1-6 Administrative adjudications by state board; effect

Authority: IC 6-1.1-31-1

Affected: IC 4-21.5; IC 6-1.1-31-1

Sec. 6. (a) The state board may, at its discretion, issue an “administrative adjudication determination” on the ad valorem tax consequences of a taxpayer's proposed transaction or unusual circumstances prior to the filing date of May 15 for the assessment year in question. If the taxpayer has received an extension for filing from the assessor, the date shown in the assessor's letter of extension will be the date used in this section. This “administrative adjudication determination” will be effective only for the tax year designated in the determination.

(b) Request. The taxpayer should make a written request not later than March 31 of the assessment year in question stating all the facts and circumstances, which affect the transaction on which a determination is requested.

(c) Administrative adjudication determination. The “administrative adjudication determination” as issued by the state board will be in writing and executed by a quorum of the members of the state board.

(d) Reliance. The taxpayer may rely upon the “administrative adjudication determination” for the tax year designated. The “administrative adjudication determination” as granted is conditioned upon the following:

(1) Facts. That the facts and circumstances as submitted by the taxpayer are representative of the facts and circumstances that actually exist.

(2) Disclosure to the state board. That all of the facts and circumstances related to the transaction have been disclosed to the state board.

(State Board of Tax Commissioners; 50 IAC 4.2-1-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989)

50 IAC 4.2-1-7 Practice before state board *(Repealed)*

Sec. 7. *(Repealed by State Board of Tax Commissioners; filed Dec 5, 2000, 2:32 p.m.: 24 IR 949)*

Rule 2. Filing Requirements

50 IAC 4.2-2-1 Place of filing; assessment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 1. (a) A personal property tax return must be filed in each taxing district where property has a tax situs subject to the qualifications contained in this article. A return may cover all business locations in a single taxing district. However, if the property is located in two (2) or more taxing districts within the same township, a separate return must be filed reporting the property in each of the taxing districts.

(b) Resident. Personal property which is owned by a person who is a resident of this state shall be assessed at the place where the owner is a "resident" except where personal property has a tax situs on the assessment date at another location in the state and the property is regularly used or permanently located, in which instance the assessment shall be made in such location.

(c) Nonresident. Personal property which is owned by a person who is a nonresident of this state shall be assessed at the place where the owner's principal office within this state is located, except where personal property has a tax situs on the assessment date at another location within the state where it is regularly used or permanently located. In such an instance the return(s) should be filed in the taxing district where the property is permanently located or regularly used. When the owner does not have a principal office in the state, the property will be assessed where located on the assessment date.

(d) Fiduciary. To the extent that "residence" determines the place of assessment of personal property held by a fiduciary in their fiduciary capacity, the residence of the fiduciary shall govern, except that in the assessment of personal property of an estate of a deceased person, the "actual residence" in this state of the deceased person immediately before death shall be applicable until such property has been distributed.

(e) Questions regarding proper place of assessment. If a controversy arises concerning the appropriate taxing district for assessing personal property the determination made as follows shall be summary and final:

(1) the county assessor shall determine the correct taxing district for assessment purposes if a question arises as to the appropriate taxing district within the county; and

(2) the state board shall determine the proper county for assessment if the question arises as to which county within the state is the proper tax situs.

(State Board of Tax Commissioners; 50 IAC 4.2-2-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989)

50 IAC 4.2-2-2 Who must file

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-3-7

Sec. 2. Every person, including any firm, company, partnership, association, corporation, fiduciary, or individual owning, holding, possessing, or controlling personal property with a tax situs within the state on March 1 of any year is required to file a personal property tax return on or before May 15 of that year unless an extension of time to file a return is obtained pursuant to section 3 of this rule. The obligation to file a return is not diminished or affected by the failure of an assessor to deliver or mail forms to a taxpayer. It is the responsibility of the taxpayer to obtain forms from the assessor and file a timely return in compliance with this article. *(State Board of Tax Commissioners; 50 IAC 4.2-2-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989)*

50 IAC 4.2-2-3 Extension of time to file returns

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 3. (a) Thirty (30) day extension. A thirty (30) day extension (to June 14) may be granted provided an extension is requested in writing prior to May 15 of the current year. The application must clearly state the reason for the request.

(b) Filing of request. The request must be made to the assessor with whom the return should be filed. The assessor may, at their discretion approve or disapprove the request in writing. The approved request or a copy must be attached to each taxpayer's return required to be filed. (*State Board of Tax Commissioners; 50 IAC 4.2-2-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989*)

50 IAC 4.2-2-4 Liability

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 4. (a) Owner. The owner of any tangible property on the assessment date of a year is liable for the taxes imposed for that year on the property. The owner of any personal property is generally the holder of legal title except:

(1) when title passes on March 1 of any year, only the person last obtaining title on said date shall be deemed to have title on March 1; and

(2) when personal property is security for a debt and the debtor is in possession of such property, such debtor shall be deemed to be the owner.

(b) Possessory interests. A person holding, possessing, or controlling any tangible property on the assessment date of a year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of owner, or the owner is liable for the taxes under a contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). When a person other than the owner pays any property taxes as required by this section, that person may recover the amount paid from the owner unless the parties have agreed to other terms in a contract.

(c) Assessment. The assessor will assess the taxable property in the name of the owner of the property to the extent the owner has been identified. A person holding, possessing, controlling, or occupying any tangible property on the assessment date of the year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of the owner or the owner is liable for the taxes under contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). (*State Board of Tax Commissioners; 50 IAC 4.2-2-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989*)

50 IAC 4.2-2-5 Full disclosure

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 5. (a) The taxpayer shall, in completing the returns, make a full and complete disclosure of such information as may be required by the state board, relating to the value, nature, and location of all the personal property of which they were the owner or which they held, possessed, or controlled, in any capacity whatsoever, on the assessment date of the current year.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return on Form 102 or Form 103 (section 9 of this rule), in the taxing district where the property had a tax situs as of the assessment date. In addition to the above reporting requirement, the owner of property, under circumstances in which possession is transferred to another person, but ownership is retained, shall be required to furnish in the taxing district where the property is located a complete listing on Form 103-O (section 9 of this rule), of such property showing the name and address of person(s) in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation in order to provide a means of verification and cross reference by the assessing official(s) that all property is being properly reported for assessment and taxation. (See special instructions in 50 IAC 4.2-8 for reporting leased personal property.)

(c) The person holding, possessing, or controlling any tangible property in any capacity, which property is subject to taxation under this article, is required to file and attach with the return a complete listing on Form 103-N (section 9 of this rule), of all not owned property. The listing is to be filed in the taxing district where the property is located and must include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) per this article and any other information requested on the appropriate form. (See special instructions in 50 IAC 4.2-8 for reporting leased personal property.)

(d) A Form 103-N (section 9 of this rule), is required to be filed by the possessor even if the owner is liable for the taxes under a contract to assure that the assessing official has the necessary information to correctly assess the property in question. (*State Board of Tax Commissioners; 50 IAC 4.2-2-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989*)

50 IAC 4.2-2-6 Additional filing requirements

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 6. Every taxpayer who is required by statute or this article to file in more than one (1) taxing district in the state must file a summary form, Form 105 (section 9 of this rule), directly with the state board on or before July 15 of each year. This form must indicate the taxing districts where returns are required to be filed and the assessed values reported to the local assessor. This requirement is in addition to all other requirements imposed by law and this article relating to the filing of personal property tax forms and returns. (*State Board of Tax Commissioners; 50 IAC 4.2-2-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989*)

50 IAC 4.2-2-7 Returns filed in duplicate

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 7. (a) When the combined total assessed value of the personal property declared on all returns filed in the state by a taxpayer is fifteen thousand dollars (\$15,000) or more, each return must be filed in duplicate. The returns being filed must indicate that the total assessed value as reported on all returns filed in the state is fifteen thousand dollars (\$15,000) or more. A legible reproduced copy will be acceptable for this requirement.

(b) Returns forwarded to county assessor. Whether or not a taxpayer has filed the return in duplicate, each assessor must forward to the county assessor on or before July 31 of each year a copy of each personal property tax return where the total assessed valuation declared on all returns filed in the state is fifteen thousand

dollars (\$15,000) or more.

(c) Returns forwarded to the state board by county assessor. The county assessor shall forward to the state board on or before August 31 of each year a copy of all returns forwarded to them by the township assessors as provided in subsection (b).

(d) Notification to the state board - revisions of assessment as reported by the taxpayer. If an assessment, as reported by the taxpayer on a return required to be filed in duplicate, is revised by any assessing official(s), a copy of the notice informing the taxpayer that a change has been made in the assessment must be forwarded to the state board within fifteen (15) days after the said notice is mailed to the taxpayer by the official(s) making the change.

(e) Notification to the state board - assessments made by assessing official. If a taxpayer fails to file a personal property tax return, and an assessing official determines the assessment to be fifteen thousand dollars (\$15,000) or more, a copy of the notice informing the taxpayer of the assessment action must be forwarded to the state board within fifteen (15) days after the said notice is mailed to the taxpayer by the official(s) making the assessment. (*State Board of Tax Commissioners; 50 IAC 4.2-2-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989*)

50 IAC 4.2-2-8 Short form returns

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-7

Sec. 8. When the assessed value of personal property required to be reported in a township is less than fifteen thousand dollars (\$15,000), the taxpayer may elect to file Form 103-Short Form (section 9 of this rule) if:

- (1) the business is not a manufacturer or processor;
- (2) no elections are made to utilize the "average" or "alternative" inventory reporting methods;
- (3) no exemptions or deductions (other than the enterprise zone credit) are claimed which affect the business personal property assessment; and
- (4) no special valuation adjustments such as equipment not placed in service, special tooling, permanently retired equipment, interstate carrier mileage allocation, or abnormal obsolescence are claimed in determining the value of the business personal property.

(*State Board of Tax Commissioners; 50 IAC 4.2-2-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, eff Mar 1, 1989*)

50 IAC 4.2-2-9 Authorized forms

Authority: IC 6-1.1-31-1

Affected: IC 4-10-13-5; IC 6-1.1-31-1; IC 6-1.1-37-3

Sec. 9. (a) The state board is required by statute to adopt tax return forms and schedules for personal property assessment purposes.

(b) Authorized forms. Tax return forms. The following are the authorized return forms provided for personal property assessment purposes pursuant to this article:

No.	Form Description
101	Individual Tangible Personal Property Return
102	Confidential Farmers Tangible Personal Property Return

- 103 Short Form Confidential Business Tangible Personal Property Return
- 103 Long Form Confidential Business Tangible Personal Property Return
- 103-I Confidential Return of Interstate Fleet of Commercial Carriers
- 103-N Return of Not Owned Personal Property
- 103-O Return of Owned Personal Property Not in Possession of Owner
- 103-P Confidential Claim for Exemption of Air or Water Pollution Control Facilities
- 103-R Confidential Total Construction in Process or Depreciable Property Reconciliation Schedule (Not To Be Filed With Return)
- 103-T Confidential Return of Special Tools
- 103-W Confidential Return of Personal Property in Warehouses, Grain Elevators, or Other Storage Places claimed to be Exempt from Assessment
- 104 Business Tangible Personal Property Return
- 105 Business Tangible Personal Property Summary of Returns
- 106 Confidential Schedule of Adjustments to Business Tangible Personal Property

(c) Substituted tax return forms. In lieu of using the actual return form prescribed in subsection (b), a taxpayer may use a computer or machine prepared substitute tax return form or schedule provided that the substitute:

- (1) contains all of the information as set forth in the prescribed form;
- (2) properly identifies the form or schedule being substituted; and
- (3) is approved by the state board pursuant to 50 IAC 4.2-1-6 prior to being used.

(d) Administrative forms. The following are certain authorized administrative forms provided for personal property assessment purposes pursuant to this article:

- | No. | Form Description |
|--------|--|
| 111/PP | Notice of Review of Current Year's Assessment for Personal Property by Township Assessor or County Board of Review |
| 112/PP | Notice of Proposed Assessment or Change in Assessment by Assessing Official or Board |
| 113/PP | Notice of Assessment or Change in Assessment by Assessing Official |
| 114/PP | Notice of Hearing on Petition by County Board of Review |
| 115/PP | Notice of Assessment of Personal Property by County Board of Review |
| 116 | Notice of Hearing and Review of Assessment |
| 117 | Notice of Hearing on Petition |
| 118 | Notice of Final Assessment Determination |
| 130/PP | Petition to the County Board of Review for Review of Assessment |
| 131/PP | Petition to the State Board of Tax Commissioners for Review of Assessment |
| 133 | Petition for Correction of Error |
| 322 | Application for Deduction from Assessed Valuation - New Manufacturing Equipment in ERA/P |
| P | |
| MOD-1 | Maritime Opportunity District Personal Property Tax Credit |
| RRS-1 | Claim for Deduction from Assessed Valuation Applicable to Resource Recovery Systems |

EZ1 Enterprise Zone Business Personal Property Tax Credit
IR-1 Industrial Recovery Site Inventory Tax Credit
17-T Petition for Refund of Taxes

(e) Return. Every person required to file a personal property tax return pursuant to section 2 of this rule must report all personal property as defined in 50 IAC 4.2-1-1(h), on the form currently authorized as provided herein. The return form as provided in subsections (a) through (b), does not constitute a return unless it is signed under the penalties of perjury by a person authorized to file such return. (*State Board of Tax Commissioners; 50 IAC 4.2-2-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, effective Mar 1, 1989*)

50 IAC 4.2-2-10 Penalties

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 10. (a) Perjury. Willful failure to file a true and correct return. Any person who willfully makes and subscribes any return, statement, or other document which is verified under oath, which is certified as to the truth of the information occurring thereon, or which contains a written declaration that is made under the penalties of perjury and which they do not believe to be true and correct in every material respect shall be guilty of a crime and shall be subject to the same penalties as provided by law for perjury.

(b) Incomplete return penalty. If a person subject to IC 6-1.1-3-7(c), fails to include on a personal property return the information, if any, that the state board requires under IC 6-1.1-3-9 or IC 6-1.1-5-13, the county auditor shall add a penalty to the property tax installment next due for the return. The amount of the penalty is twenty-five dollars (\$25). The purpose of this penalty is to require a full disclosure of the information related to the value, nature, or location of personal property on the personal property tax return for that year which is necessary for an assessing official to review the return. If this information is not provided, a thorough review of the return as required by law cannot take place.

(c) Penalty for failure to file a timely return. Failure to file a return or be granted an extension of time to file a return by May 15 as required by law will result in the imposition of a twenty-five dollars (\$25) penalty. In addition, if the return is not filed within thirty (30) days after such return is due, a penalty equal to twenty percent (20%) of the tax determined to be due will be imposed with respect to the personal property which should have been reported on the return. No return shall be considered due within the meaning of this article until the expiration of a period of any extension of time which may have been granted pursuant to section 3 of this rule. (See example of application of late filing penalties.)

(d) Undervaluation penalty. If the total assessed value that a person reports on a personal property return is less than the total assessed value that the person is required by law to report and if the amount of the undervaluation exceeds five percent (5%) of the value that should have been reported on the return, then the county auditor shall add a penalty of twenty percent (20%) of the additional taxes finally determined to be due as a result of the undervaluation.

The purpose of the twenty percent (20%) penalty is to ensure a complete disclosure of all information required by the state board on the prescribed self-assessment personal property form(s). This enables the township assessor, county board of review, and state board to carry out their statutory duties of examining returns each year to determine if they substantially comply with the rules of the state board. This examination cannot take place if all required information is not shown on the self-assessment return form.

It is not the purpose of this provision to impose a penalty on a person who has made a complete disclosure of information required on the assessment return form. Therefore, if the person filing the self-assessment personal property return shows that they are claiming an exemption or taking an adjustment for abnormal obsolescence or permanently retired equipment on the return form and has complied with all of the requirements for claiming that exemption or adjustment, no penalty should be added to the extent of the amounts accounted for on the return form. In considering whether or not a taxpayer has made a full and complete disclosure of information, the complete return package must be considered. A complete return package consists of the return form itself (Form 102 or 103) (section 9 of this rule), and all necessary supplemental forms and supporting schedules which must be filed with the return.

If a person has complied with all of the requirements for claiming an exemption or adjustment for abnormal obsolescence or permanently retired equipment, then the increase in assessed value that results from a denial of the exemption or change in the amount of adjustment is considered to be an interpretive difference not subject to the twenty percent (20%) penalty for under valuation for purposes of this subsection. However, all other amounts not fully disclosed through omission or under valuation, which represent property subject to the reporting requirements of this article, and the laws of this state are subject to the twenty percent (20%) penalty.

(1) Exemptions. An exemption is defined as a situation where a certain type of property, or the property of a certain kind of taxpayer, is not taxable (IC 6-1.1-1-6).

There are three (3) basic types of exemptions, which are permitted to be claimed on the annual business personal property return that are available to a taxpayer. These exemptions include:

- (A) air pollution control equipment;
- (B) industrial waste control equipment; and
- (C) inventory exemptions, including:
 - (i) interstate commerce;
 - (ii) government-owned; and
 - (iii) driver's education automobiles.

It should be noted that when the reporting requirements have been met, but for some reason the exemption is not allowed, the amount disallowed is an interpretive difference and is not subject to the omitted or undervalued personal property tax penalty.

However, when items that would otherwise qualify for an exemption are omitted from the return, the property is taxable, because the exemption was waived, and the omitted and undervalued personal property tax penalty must be applied.

(2) Allowable adjustments. Allowable adjustments can be defined as an adjustment that affects the value of personal property when the adjustment is truly elective. The taxpayer must elect the adjustment when the return is filed. If the taxpayer fails to properly elect the adjustment when the return is filed, the taxpayer is not entitled to the adjustment. The adjustment is not mandatory.

The allowable adjustments are:

- (A) average inventory adjustment; and
- (B) alternative method of valuing inventory.

(3) Mandatory adjustments. Mandatory adjustments reflect the value of personal property required to be reported in conformity with the provisions of this article. Therefore, regardless of whether the taxpayer shows the adjustment in their tax return, the assessing official must make the adjustment in order to arrive at the proper value for assessment purposes per the provisions of this article. Permanently retired equipment and abnormal obsolescence are adjustments which should be recognized to the extent that the property qualifies and the taxpayer is able to substantiate the facts, circumstances, and amount of

the claim in order to properly determine the true tax value of the subject property.

(A) The mandatory adjustments for depreciable assets include:

- (i) adjust to federal tax basis;
- (ii) add fully depreciated property still in use but written off;
- (iii) add cost of installation and foundation applicable to depreciable personal property;
- (iv) equipment not placed in service;
- (v) valuation of special tooling;
- (vi) permanently retired equipment;
- (vii) valuation of commercial aircraft and interstate motor truck carriers;
- (viii) abnormal obsolescence;
- (ix) true tax value limited to thirty percent (30%) of adjusted cost;
- (x) true tax value percentage factors applicable to each year's acquisitions;
- (xi) placement by year of acquisition in the proper pool based upon life utilized for computing cost recovery (depreciation) for federal tax purposes; and
- (xii) assessment ratio of thirty-three and one-third percent (33 $\frac{1}{3}$ %) of true tax value.

(B) The mandatory adjustments for inventory include:

- (i) adjust book inventory to March 1;
- (ii) add unrecorded inventory;
- (iii) adjust to "first-in-first-out" (FIFO);
- (iv) add manufacturing overhead not included in inventory;
- (v) add allocable costs of wholesalers or retailers not included in inventory;
- (vi) add freight-in not included in inventory;
- (vii) add royalties, editorial, license, or copyright fees not included in inventory;
- (viii) add taxes not included in inventory;
- (ix) deduct inventory recorded but not received;
- (x) deduct purchase or trade discounts;
- (xi) adjustment from standard to actual cost;
- (xii) abnormal obsolescence;
- (xiii) thirty-five percent (35%) valuation adjustment if the alternative method is not elected; and
- (xiv) assessment ratio of thirty-three and one-third percent (33 $\frac{1}{3}$ %) of true tax value.

With the exception of the valuation of permanently retired equipment and abnormal obsolescence, mandatory adjustments for depreciable assets and inventory are not interpretive differences. They are adjustments which must be applied to any omitted or undervalued property when discovered. Any resulting differences in assessment between the amount reported by the taxpayer and the amount of assessment determined by the assessing official after making all mandatory adjustments is subject to the twenty percent (20%) penalty, while interpretive differences and math errors on the face of the return are not subject to the penalty.

The penalty shall be added to the property tax installment next due for the return on which the property was undervalued.

(e) Late payment penalty. (1) A taxpayer shall begin paying a "late payment penalty" on the day after the date for payment described above if they have not paid the amount of taxes resulting from the action or determination and they either:

(A) received notice of the taxes they are required to pay as a result of the action or determination at

least thirty (30) days before the date for payment; or

(B) voluntarily signed and filed an assessment return for the taxes.

(2) If subdivision (1) does not apply, a taxpayer who has not paid the amount of taxes resulting from the action or determination shall begin paying the “late payment penalty” on:

(A) the next May 10 which follows the date for payment described above; or

(B) the next November 10 which follows the date for payment described above;

whichever occurs first.

(f) A penalty is due with an installment under subsection (b), (c), or (d) whether or not an appeal is filed under IC 6-1.1-15-5 with respect to the tax due on that installment.

(g) Example of application of late filing penalties.

Assessment added June 28, 19X1 (Assume

no extension granted, no return
filed) \$10,000

Tax (\$10,000 × \$10.00 tax rate)		\$1,000
Less property tax replacement credit		200
Net amount of tax		\$800
Penalties		
Return not filed on or before due date (flat penalty)	\$25	
No return filed within thirty (30) days of due date (twenty percent (20%) of tax)	160	
Total penalties		185
Total due		\$ 985
Amount due May 10, 19X2: one-half (½) of net taxes due	\$400	
penalties	185	
Total		\$ 585
Amount due November 10, 19X2: one-half (½) of net taxes due		\$ 400

This type of penalty shall be added to the property tax installment next due. The penalty may not be divided into two (2) installments.

(h) Example of application of undervaluation penalty.

Correct assessed value of all personal property, March 1, 19X1	\$51,560	
Assessed value of personal property per return filed April 17, 19X1	41,560	
Increase in assessed value of personal property	\$10,000	
Amount of additional tax due (\$10,000 × \$8.00 tax rate)		\$800
Less property tax replacement credit		160
Net amount of additional tax due		\$ 640
Increase in assessed value of personal property	\$10,000	
Less assessed value of interpretive difference,	5,000	

exempt inventory claimed on the return by the taxpayer not allowed: (\$23,080 cost × sixty-five percent (65%) = \$15,002 TTV) (\$15,002 TTV / 3 = assessed value)		
Assessed value subject to omitted or undervalued penalty (exceeds five percent (5%) of correct value)	\$ 5,000	
Amount of additional tax due relative to assessed value subject to penalty (\$5,000 × \$8.00 tax rate)	\$400	
Less property tax replacement credit	80	
Net amount of additional tax due relative to assessed value subject to penalty	\$ 320	
Twenty percent (20%) penalty on taxes finally determined with respect to omitted or undervalued property (\$320 × twenty percent (20%))	\$ 64	
Amount due May 10, 19X2: one-half (½) of net additional tax due	\$160	
twenty percent (20%) penalty (above)	64	
Total	\$ 224	
Amount due November 10, 19X2: one-half (½) of net additional tax due	\$ 160	

This type of penalty shall be added to the property tax installment next due. The penalty may not be divided into two (2) installments. (*State Board of Tax Commissioners; 50 IAC 4.2-2-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 825, effective Mar 1, 1989*)

50 IAC 4.2-2-11 Interest

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-22-9; IC 6-1.1-37; IC 33-3-5-11

Sec. 11. (a) The taxes and interest resulting from an action or determination described below apply when:

- (1) an assessment is made or increased after the date on which the taxes were originally due for the year for which the assessment is made; or
- (2) the assessment upon which the taxpayer has been paying taxes is less than the assessment that results from the final determination of the petition for review or of the appeal to court, or the collection of property taxes has been enjoined under IC 33-3-5-11.

(b) A taxpayer shall pay taxes and interest with respect to an action or determination described above on or before:

- (1) the next May 10; or
- (2) the next November 10;

whichever occurs first.

(c) The interest on the taxes the taxpayer is required to pay as the result of that action or determination is at the rate of ten percent (10%) per annum from the original due date to:

(1) the date of payment; or
(2) the date on which penalties for late payment of a tax installment may be charged;
whichever occurs first. (*State Board of Tax Commissioners; 50 IAC 4.2-2-11; filed Dec 7, 1988, 9:35 a.m.: 12 IR 828, eff Mar 1, 1989*)

Rule 3. Review and Appeal Procedures

50 IAC 4.2-3-1 Township assessor review

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 1. (a) Assessment of personal property return filed. The township assessor shall examine and verify the accuracy of each personal property return filed with them by a taxpayer. In examining the return, the township assessor may examine:

- (1) the personal property of the person;
- (2) the books and records of the person; and/or
- (3) under oath, the person or any other person whom the assessor believes has knowledge of the amount, identity, or value of the personal property reported or not reported by the person on a return.

After such examination, the assessor shall assess the personal property to the person owning, holding, possessing, or controlling that property. If the assessor determines the assessment should be changed, the taxpayer, as defined in 50 IAC 4.2-2-2, must be notified, by mail, of the new assessment and the reasons in writing, supporting the determination by the assessor. At the time that notice is given to the taxpayer, they shall also be informed in writing of their opportunity for review and the procedures they must follow in order to obtain review before the county board of review.

If the board of review has adjourned or if its term has expired, the township assessor shall notify the taxpayer of the proposed assessment or change of assessment on Form 112 (50 IAC 4.2-2-9).

If the board of review is still in session, the township assessor shall notify the taxpayer of the assessment on Form 113 (50 IAC 4.2-2-9).

(b) Return not on file or omitted property. The assessor is required by law to make an assessment of personal property if they have sufficient information to indicate there is omitted property. If a person owning, holding, possessing, or controlling any personal property fails to file a personal property return or list with the township assessor, the township assessor may examine:

- (1) the personal property of the person;
- (2) the books and records of the person; and/or
- (3) under oath, the person or any other person whom the assessor believes has knowledge of the amount, identity, or value of the personal property not reported by the person on a return.

As an alternative to such an examination, the township assessor may estimate the value of the personal property of the taxpayer and shall assess the person owning, holding, possessing, or controlling the property in an amount based upon the estimate. Upon receiving a notification of estimated value from the township assessor, the taxpayer may elect to file a personal property return within thirty (30) days from the date of the written notice of assessment by the assessor subject to the penalties imposed under 50 IAC 4.2-2-10. At the time that notice is given to the taxpayer, they shall also be informed in writing of their opportunity for review and the procedures they must follow in order to obtain review before the county board of review.

Retail merchants certificate. The Indiana department of state revenue will submit to the township

assessor before July 15 of each year:

- (1) the name of each retail merchant that has newly obtained a registered retail merchant's certificate between March 2 of the preceding year and March 1 of the current year for a place of business located in the township; and
- (2) the address of each place of business of the taxpayer in the township.

(c) Limitation of time for assessor action. A township or county assessing official must make a change in the assessed value and give the notice of the change on or before the latter of:

- (1) September 15 of the year for which the assessment is made; or
- (2) four (4) months from the date the personal property return is filed if the return is filed after May 15th of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. Where the taxpayer has failed to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, the assessor has no limitation of time within which to act.

If the taxpayer fails to file a personal property return, which substantially complies with the provisions of IC 6-1.1 and the rules of the state board, the assessment may be increased if notice is given within three (3) years after the date the return is filed. (*State Board of Tax Commissioners; 50 IAC 4.2-3-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 828, eff Mar 1, 1989*)

50 IAC 4.2-3-2 Direct review of assessment by county board of review

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 2. (a) The county board of review may, at its own discretion, review any assessment of any taxpayer within the county.

(b) Notice of review. When the county board of review determines that it will review an assessment of a taxpayer, the taxpayer will be mailed a written notice of review of assessment on Form 111 (50 IAC 4.2-2-9), at least ten (10) days prior to the date of the scheduled hearing. The taxpayer may appear and submit any evidence they may desire in support of their original assessment. In any assessment review the assessing official shall consider the conditions and circumstances of the property as they existed, and use the state board's rules in effect on the original assessment date of the property under review.

(c) Notice of assessment. After the county board of review has completed the review of the taxpayer's assessment, it shall notify the taxpayer by mail, of the assessment on Form 115 (50 IAC 4.2-2-9).

(d) Limitation of time for county board of review action. A county board of review must make a change in the assessed value, including the final determination by the board of an assessment changed by a township or county assessing official, and give the notice of the change on or before the latter of:

- (1) October 30 of the year for which the assessment is made; or
- (2) five (5) months from the date the personal property return is filed if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article.

Where the taxpayer fails to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, there is no limitation of time within which it may act.

If the taxpayer fails to file a personal property return, which substantially complies with the provisions of this article, the assessment may be increased if notice is given within three (3) years after the date the return is filed. (*State Board of Tax Commissioners; 50 IAC 4.2-3-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 829, eff Mar 1, 1989*)

50 IAC 4.2-3-3 Appeal of assessments; stay

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 3. (a) In the event the taxpayer does not agree with the assessment made by an assessing official, an appeal may be made as outlined in this section.

(b) Appeal to county board of review:

(1) The taxpayer may appeal to the county board of review by filing a Form 130 (50 IAC 4.2-2-9), petition for review of assessment with the county auditor in the county where the property was assessed within thirty (30) days from the mailing date of the written notice of assessment by the assessor.

(A) On the Form 130 (50 IAC 4.2-2-9), the petitioner must specify the following:

(i) The physical characteristics of the property in issue that bear on the assessment determination.

(ii) All other facts relevant to the assessment determination.

(iii) The reasons why the petitioner believes that the assessment determination by the township assessor is erroneous.

(B) Immediately upon receipt of a timely filed Form 130 (50 IAC 4.2-2-9), the county auditor shall forward a copy of the petition to the township assessor who made the challenged assessment.

(2)(A) The county board of review will provide a written notice of hearing on Form 114 (50 IAC 4.2-2-9) to the taxpayer and the township assessor advising them of the date on which such petition will be heard. After the hearing has been conducted, the county board of review shall give the petitioner and the township assessor notice, by mail, of its final determination on Form 115 (50 IAC 4.2-2-9). The county board of review must indicate agreement or disagreement with each item that is indicated on the petition submitted under subdivision (1).

(B) The county board of review must also indicate the issues in dispute and its reasons in support of its resolution of those disputes.

At the time that notice is given to the taxpayer, they shall also be informed in writing of:

(i) their opportunity for review; and

(ii) the procedures they must follow in order to obtain review before the state board.

(C) If a petition for review does not comply with the state board's instructions for completing the form as set forth in subdivision (1)(A) the county board of review shall return the petition to the petitioner and include a notice describing the defect in the petition. The petitioner then has thirty (30) days from the date of the board's notice to cure the defect and file a corrected petition. The county board of review shall deny a corrected petition if it does not substantially comply with the state board's instructions for completing the form as set forth in subdivision (1)(A).

(c) Appeal to the state board. If a taxpayer or assessor does not agree with an assessment as determined by the county board of review, a petition for review of assessment on Form 131 (50 IAC 4.2-2-9), must be filed with the county auditor of the respective county requesting a review by the state board. This petition must be

filed within thirty (30) days after the mailing date of the notice of final assessment by the county board of review, and must specify the following:

- (1) The physical characteristics of the property in issue that bear on the assessment determination.
- (2) All other facts relevant to the assessment determination.
- (3) The reasons why the petitioner believes that the assessment determination by the county board of review is erroneous.

The county auditor shall transmit the petition for review to the state board within ten (10) days after it is filed.

If a petition for review does not comply with the state board's instructions for completing the form as set forth above, the state board shall return the petition to the petitioner and include a notice describing the defect in the petition. The petitioner then has thirty (30) days from the date on the state board's notice to cure the defect and file a corrected petition. The state board shall deny a corrected petition for review if it does not substantially comply with the state board's instructions for completing the form as set forth in this section.

(d) Review of assessment and hearing by the state board. Upon receipt of the petition described in this subsection, the state board shall, at its earliest opportunity, schedule a hearing and assess the property in question. Such a hearing shall result in a complete review and determination of the petitioner's entire personal property assessment. The state board shall, at least ten (10) days before the date fixed for the hearing, notify the petitioner, the township assessor, the county assessor, and the county auditor, by mail, of the date for the hearing. Upon completion of the hearing, the state board must notify the petitioner, the township assessor, the county assessor, and the county auditor, by mail, of its final determination. The state board must indicate agreement or disagreement with each item that is:

- (1) indicated on the petition submitted under this subsection; and
- (2) included in the county board's determination under subsection (b).

(e) The state board must also indicate the issues in dispute and its reasons in support of its resolution of those issues. In addition, the state board shall give notice of the procedures to be followed in order to obtain a court review of its determination. (*State Board of Tax Commissioners; 50 IAC 4.2-3-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 830, eff Mar 1, 1989*)

50 IAC 4.2-3-4 Schematic of appeal and review procedures (*Repealed*)

Sec. 4. (*Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616*)

50 IAC 4.2-3-5 Effect of pending review on duty to pay tax (*Repealed*)

Sec. 5. (*Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616*)

50 IAC 4.2-3-6 Direct review by state board; hearing of appeal (*Repealed*)

Sec. 6. (*Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616*)

50 IAC 4.2-3-7 Final determination of state board (*Repealed*)

Sec. 7. (*Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616*)

50 IAC 4.2-3-8 Indiana tax court established (*Repealed*)

Sec. 8. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-9 Appeal to tax court *(Repealed)*

Sec. 9. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-10 Rehearing of state board determinations *(Repealed)*

Sec. 10. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-11 Appeal by county executive *(Repealed)*

Sec. 11. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-12 Petition for correction of error *(Repealed)*

Sec. 12. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-13 Time limitation for changes to assessments *(Repealed)*

Sec. 13. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-14 Refunds; time limitation *(Repealed)*

Sec. 14. *(Repealed by State Board of Tax Commissioners; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

Rule 4. Valuation of Depreciable Tangible Personal Property

50 IAC 4.2-4-1 “Depreciable personal property” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-31-1

Sec. 1. In general, “depreciable personal property” as used in this article is all tangible personal property as defined in 50 IAC 4.2-1-1(h) that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article. In general, except as otherwise provided in this article, personal property will be deemed to become depreciable property when a depreciation deduction is allowable for federal income tax purposes. *(State Board of Tax Commissioners; 50 IAC 4.2-4-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 838, eff Mar 1, 1989)*

50 IAC 4.2-4-2 Book cost determinative

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 2. (a) The cost of depreciable property, both real and personal, as recorded on the taxpayer's books and records, must be utilized in determining the value of the depreciable personal property subject to assessment.

(b) The cost of all depreciable property of a taxpayer shall be the total amount reflected on the books and records of the taxpayer as of the assessment date except as provided in section 3 of this rule.

Per the provisions of this article and the Internal Revenue Code, effective January 1, 1987, the cost of depreciable personal property must include, but not be limited to direct costs and an appropriate portion of indirect costs attributable to its production or acquisition and preparation for use. The cost of machinery, furniture, tools, computers (excluding application software), and other plant assets includes all costs necessary to place the asset in condition and in place, ready for use. These costs include, but are not limited to, the purchase price, transportation costs to the place of use, and installation costs, foundations and electrical wiring, interest incurred during construction and installation, and sales tax. If the asset is constructed by the company, the original cost must be made up of, but not limited to, the following costs:

- (1) direct and indirect labor costs and fringe benefits;
- (2) direct material costs;
- (3) designing;
- (4) supervision;
- (5) insurance;
- (6) depreciation of equipment used in construction;
- (7) claims for damage during construction not compensated for by insurance;
- (8) taxes and insurance during construction;
- (9) interest incurred during construction;
- (10) sales taxes; and
- (11) other costs directly chargeable to construction.

No profit should be added to the actual costs since the company cannot make a profit on itself. Any credits in the form of sales of scrap materials, discounts received on purchases of materials, and return premiums on surrender of insurance policies should be subtracted from the gross costs of construction to determine the actual cost of the asset.

(c) Additions and betterments. The cost of additions and betterments must be added to the original cost of the asset. If an additional part is added or some other change is made in the fixed asset which increases its estimated useful life, its production or efficiency, or changes it to a different use, such an expenditure is a betterment and should be capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part would be shown as a new acquisition while the part replaced would be removed from the original cost of the asset when acquired. The cost of additions, betterments, or replacements would be reported as an addition, betterment, or replacement in the year the actual expenditure occurred.

(d) In the event a taxpayer cannot determine from their books and records the cost of the depreciable property on the assessment date, they must use:

- (1) the cost per books as of the close of their annual financial period immediately prior to the assessment date and so indicate on their return;
- (2) the book cost as of the close of their last financial period will then be adjusted to reflect all acquisitions and disposals of depreciable property which have occurred between such date and the assessment date;
- (3) this adjustment should be taken as provided in section 4 of this rule; and

(4) installation costs and foundations applicable to machinery and equipment shall be reported and assessed on the same basis as the asset to which they apply.

(e) Reconciliation. A taxpayer must be able to reconcile the cost of the depreciable personal property reported on the tax returns required to be filed with the cost of all depreciable property as recorded on the taxpayer's books and records on the assessment date. A real and personal property guide is included in section 10 of this rule, to assist in the reconciliation, using Form 103-R (50 IAC 4.2-2-9).

(f) Multiple location taxpayers. Taxpayers with locations in more than one (1) taxing district in this state may fulfill the requirements of this section by making one (1) computation as required in subsection (e) for the entire state, provided that the cost of the depreciable personal property for each taxing district where the taxpayer has property on the assessment date is identified in such computation. (*State Board of Tax Commissioners; 50 IAC 4.2-4-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 839, eff Mar 1, 1989*)

50 IAC 4.2-4-3 Fully depreciated, retired, or nominally valued property; computer equipment; report and valuation

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 3. (a) Depreciable personal property, as defined in 50 IAC 4.2-1-1(h), that has not been retired from use must be reported for personal property assessment purposes whether or not the cost of such property has been removed from the taxpayer's books and records, has been recorded on the taxpayer's books and records, or has been recorded at a nominal value on the taxpayer's books and records.

(b) Restoration of depreciable personal property written off. Any fully-depreciated personal property that has been written off the taxpayer's books and records and is on hand at the tax situs and not permanently retired on the assessment date must be reported in the return. The cost of such property must be clearly shown as an adjustment in the space provided on the tax return as provided in section 4 of this rule.

(c) Permanently retired depreciable personal property defined. "Permanently retired depreciable personal property" means depreciable personal property that has been removed from the manufacturing process on the assessment date, or has been removed from services other than manufacturing on the assessment date, and is awaiting disposition, and must be scheduled to be scrapped, removed, or disposed of and will be considered to be permanently retired providing the taxpayer actually scraps or sells such property.

Adjustment for permanently retired depreciable personal property. Depreciable personal property that is on hand at the tax situs on the assessment date, included in the cost per books as reported by the taxpayer in their return, and permanently retired on the assessment date as herein defined, is subject to an adjustment as herein provided if the taxpayer so elects.

Amount of adjustment. The cost per books of permanently retired depreciable property can be taken as an adjustment from book cost of depreciable property on the return provided the cost of such property is included in the cost per books actually reported on the return.

Eligibility. In order to qualify for this adjustment, a taxpayer will need to substantiate that the property was permanently retired and not in use.

(d) Valuation of permanently retired depreciable personal property. Permanently retired depreciable personal property should be valued at its net scrap or net sale value. The valuation of this property should be shown separately on the tax return and will not be subject to the thirty percent (30%) limitation of original cost.

(e) Valuation of depreciable personal property with a nominal value. Depreciable personal property recorded on the books and records at a nominal or no value must be recorded at its actual acquisition cost

determined by reference to the insurable value in the year of acquisition for Indiana property tax assessment purposes. This category of property would include, but not be limited to, bulk purchase or the acquisition of a going business concern.

(f) Valuation of computer equipment. Computers are made up of three (3) elements:

- (1) hardware;
- (2) operational software; and
- (3) application software.

Computers (including hardware and operational software), must be reported at the actual acquisition cost regardless of how this property may be valued on the taxpayers books and records.

(g) Computers are made up of the following elements:

- (1) Hardware. Hardware is composed of mechanical, magnetic, electrical, and electronic devices and other components which constitute the physical computer assembly.
- (2) Operational software. The operational program controls the hardware and actually makes the machine operational. It is fundamental and necessary to the functioning of the computer hardware itself and performs such functions as loading, scheduling, supervision, and data management. It represents the internalized instruction codes that translate information into a form usable by the equipment and controls the basic operations of the central processing unit to perform arithmetic and/or logical operations automatically by means of programmed instructions. It is not normally accessible or modifiable by the user.
- (3) Application software. The application program is a written sequence of instructions which details the operations the equipment is to perform in order to achieve a specific objective of the user.

If the value recorded on the books and records reflects charges for customer support services such as educational services, maintenance, or application software that relate to future periods and not to the value of the tangible personal property, such charges may be deducted as nonassessable intangible personal property (to the extent that a separate charge or value can be identified).

(h) The allocation of interest incurred during construction and installation must be made (capitalized) for personal property tax purposes regardless of the fact that Section 263 of the Internal Revenue Code of 1986 is not applicable in certain cases. (*State Board of Tax Commissioners; 50 IAC 4.2-4-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 840, eff Mar 1, 1989*)

50 IAC 4.2-4-4 Adjustments to cost

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 4. (a) Mandatory adjustment. The adjusted costs of the assessable depreciable personal property as computed in subsection (d), must be reported at the tax basis of such property as defined in Section 1012 of the Internal Revenue Code of 1986 unadjusted by Sections 167 (depreciation) and 179 (expense deduction) of that Code or any credits (such as investment tax credit) which diminished the cost basis of the property. Therefore, if the tax basis of the taxpayer's assessable depreciable personal property is different than the cost per books of such property, except for the depreciable personal property defined and required to be reported by section 3 of this rule, an adjustment must be made to the cost per books of the assessable depreciable personal property reported on the Indiana property tax return. It is important to note that this is a change from the prior requirements for Indiana ad valorem tax purposes in that interest (incurred prior to placement in service) and sales tax specifically are now required to be included as part of the tax basis of depreciable personal property.

(b) Reporting on return. The adjustment from book to tax basis must be computed on Form 106 (50 IAC 4.2-2-9), and shown in the taxpayer's return on line 2 of Form 103 - Long Form (50 IAC 4.2-2-9), Schedule A.

(c) Not elective. The adjustment is required to be made regardless of whether it is an increase or decrease of the cost per books.

(d) Computation of adjusted cost. The adjusted cost of depreciable personal property is the resultant amount obtained by adjusting the cost per books, as defined in section 2 of this rule (cost per books), subsection (a) (mandatory adjustments) 50 IAC 4.2-11-4(1) (property not subject to property tax), 50 IAC 4.2-11-5 (air pollution control system), 50 IAC 4.2-11-6 (industrial waste control facility), 50 IAC 4.2-11-8 (other property not subject to this article -real property), and vehicles subject to excise tax. (*State Board of Tax Commissioners; 50 IAC 4.2-4-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 841, eff Mar 1, 1989*)

50 IAC 4.2-4-5 Pools of property; determination of costs by acquisition year

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 5. (a) The adjusted cost of depreciable personal property as computed in section 4 of this rule, is required to be segregated for Indiana property tax purposes into four (4) separate pools. The depreciable life utilized for federal income tax purposes determines the pool to be utilized for Indiana property tax purposes. The pools to be utilized for Indiana property tax purposes are as follows:

- (1) Pool No. 1: All assets which have a life of one (1) through four (4) years for federal income tax purposes.
- (2) Pool No. 2: All assets which have a life of five (5) through eight (8) years for federal income tax purposes.
- (3) Pool No. 3: All assets which have a life of nine (9) through twelve (12) years for federal income tax purposes.
- (4) Pool No. 4: All assets which have a thirteen (13) years or longer life for federal income tax purposes.

EXAMPLE

A taxpayer has adjusted cost of depreciable personal property as determined in section 4 of this rule, in the amount of one hundred thousand dollars (\$100,000). For federal income tax purposes the taxpayer uses a composite method of computing depreciation with three (3) separate composite accounts as follows:

- (1) a four (4) year account for transportation equipment: twenty thousand dollars (\$20,000);
- (2) a ten (10) year account for office furniture and fixtures: fifteen thousand dollars (\$15,000); and
- (3) a twelve (12) year account for all other depreciable personal property: sixty-five thousand dollars (\$65,000).

For Indiana property tax purposes, the transportation equipment would be includable in Pool No. 1 and the balance of the adjusted cost of depreciable personal property would fall in Pool No. 3. For illustrative purposes the breakdown would be as follows:

Pool No. 1	\$20,000
Pool No. 3	\$80,000
TOTAL	<u>\$100,000</u>

(b) Useful life. The useful life used to determine the proper classification of the pool in which an asset must be included is to be based upon the actual life utilized to compute depreciation on the federal income tax return of the taxpayer unless:

(1) The state board determines that such life is either unrealistic in relation to all of the taxpayer's facts and circumstances or when the life used on the federal tax return has been changed by the Internal Revenue Service on audit.

(2) The useful lives utilized by taxpayers in the state for a particular category of assets are varied and the state board, in order to obtain equalization in assessments, determines that a uniform life should be used by all such taxpayers in the state, the state board may prescribe the useful life of such assets for all of these taxpayers in the state pursuant to 50 IAC 4.2-7-2.

(State Board of Tax Commissioners; 50 IAC 4.2-4-5; filed Dec 7, 1988, 9:35 a.m.; 12 IR 841, eff Mar 1, 1989)

50 IAC 4.2-4-6 Determination of the year of acquisition

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 6. (a) After the allocation of adjusted cost of depreciable tangible personal property, as provided in section 5 of this rule, it will be necessary to determine the cost by year of acquisition for each pool. The number of years, which are required to be segregated, by year of acquisition will depend upon the particular pool.

(b) Each pool is required to be segregated as follows:

(1) Pool No. 1 requires the cost to be determined by year of acquisition for the three (3) years immediately preceding the assessment date. The balance of the cost of the assets in this pool will be includable in the fourth category.

(2) Pool No. 2 requires the cost by year of acquisition be determined for the six (6) years preceding the assessment date. The balance of the cost would be includable in the seventh category.

(3) Pool No. 3 requires that cost by year of acquisition be determined for the ten (10) years preceding the assessment date. The balance of such account would be includable in the eleventh category.

(4) Pool No. 4 requires that the cost by year of acquisition be determined for the twelve (12) years preceding the assessment date with the balance of the cost of such pool includable in the thirteenth category.

(c) Reporting year. The year of acquisition for Indiana property tax purposes is a fiscal year March 2 to March 1 unless the taxpayer elects to use the same year as that utilized for federal tax purposes.

(1) If a taxpayer has a financial year that ends on December 31 or January 31, the taxpayer may elect to use the same year as that used for federal income tax purposes to determine the year of acquisition of assets for Indiana property tax reporting purposes. Otherwise, a taxpayer is not eligible to elect to use a federal year to compute year of acquisition for Indiana personal property tax purposes and must use a fiscal year of March 2 to March 1.

(2) If a federal tax year election is made, the acquisition made after the close of the taxpayer's federal taxable year to the assessment date must be included in a separate category on the return and clearly designated.

(d) Disposals. For Indiana property tax purposes it will be presumed that the disposal of depreciable personal property occurs on a first-in, first-out basis unless the taxpayer establishes that such was not the case. Therefore, absent evidence to the contrary, all disposals will be deemed to occur from the remaining category in each pool.

EXAMPLE

If a taxpayer, on a December 31 federal year, has twenty thousand dollars (\$20,000) of adjusted cost in Pool No. 1 and eighty thousand dollars (\$80,000), of which four thousand dollars (\$4,000) were purchased in January and February of the assessment year, in Pool No. 3 (see the Example contained in section 5(a) of this rule), such cost figures would be broken down into the year of acquisition as follows, providing the taxpayer makes an election to use federal tax year to compute year of acquisition cost:

	Pool No. 1	Pool No. 3
Jan. 1 to March 1, 1989		
	\$ None	\$ 4,000
1988	3,000	12,000
1987	4,000	10,000
1986	None	2,000
1985	13,000*	4,000
1984		1,000
1983		None
1982		5,000
1981		30,000
1980		12,000
TOTALS	<u>\$20,000</u>	<u>\$80,000</u>

*Includes the year indicated and all depreciable personal property on hand which was acquired in years prior to the year indicated.

(State Board of Tax Commissioners; 50 IAC 4.2-4-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 842, eff Mar 1, 1989)

50 IAC 4.2-4-7 True tax value determination; exception

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 7. (a) The true tax value for Indiana property tax purposes is computed by multiplying the adjusted cost of each year's acquisitions in the respective pool by a percentage factor obtained in subsection (b). The percentage factors in the table automatically reflect all adjustments for Indiana property tax purposes, except abnormal obsolescence, as provided in section 8 of this rule.

(b) Table to compute true tax value. The following table provides for each of the four (4) pools by year of acquisition the percentage of adjusted cost to compute true tax value. The sum of the true tax value for each of the four (4) pools is the true tax value of the personal property at the tax situs in question.

TABLE TO DETERMINE TRUE TAX VALUE
FOR DEPRECIABLE PERSONAL PROPERTY
BY PERCENTAGE OF ORIGINAL COST
Indiana Pools of Assets by Lives Utilized on
Federal Tax Return

Year of Acquisition	Pool #1 (1-4 yrs)	Pool #2 (5-8 yrs)	Pool #3 (9-12 yrs)	Pool #4 (13 yrs and longer)
1	65%	40%	40%	40%
2	50%	56%	60%	60%
3	35%	42%	55%	63%
4	20%	32%	45%	54%
5		24%	37%	46%
6		18%	30%	40%
7		15%	25%	34%
8			20%	29%
9			16%	25%
10			12%	21%
11			10%	15%
12				10%
13				5%

(c) The true tax value of the depreciable personal property for the taxpayer on a December 31 federal tax year making the election to use federal tax year to compute the year of acquisition (see the EXAMPLES in sections 5 and 6 of this rule) would be computed as follows:

	Pool No. 1			Pool No. 3		
Jan 1 to March 1,						
1989	\$None	65%	\$-0-	\$4,000	40%	\$1,600
1988	3,000	65%	1,950	12,000	40%	4,800
1987	4,000	50%	2,000	10,000	60%	6,000
1986	None	35%	-0-	2,000	55%	1,100
1985	13,000	20%	2,600	4,000	45%	1,800
1984				1,000	37%	370
1983				None	30%	-0-
1982				5,000	25%	1,250
1981				30,000	20%	6,000
1980				None	16%	-0-
1979				None	12%	-0-
1978				12,000	10%	1,200
	<u>\$20,000</u>		<u>\$6,550</u>	<u>\$80,000</u>		<u>\$24,120</u>
Pool No. 1						<u>\$6,550</u>
True tax value of all depreciable personal property						<u><u>\$30,670</u></u>

(d) Exception. If personal property is leased, such property will not be valued for Indiana property tax purposes in accordance with this rule. Such personal property is to be reported in accordance with the provisions of 50 IAC 4.2-8. (*State Board of Tax Commissioners; 50 IAC 4.2-4-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 843, eff Mar 1, 1989*)

50 IAC 4.2-4-8 Adjustment for obsolescence

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 8. (a) A taxpayer may claim an adjustment for abnormal obsolescence as defined in 50 IAC 4.2-9-3, on business personal property provided that such taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 9. It includes the impairment of desirability and usefulness brought about by new inventions and improved processes for production, or the impairment of functional capacity or efficiency if the inadequacy or overadequacy cause a loss in value and have made the property incapable of continued use for a prolonged period during the assessment year.

(b) Limitation. No adjustment will be allowed for normal obsolescence as defined in 50 IAC 9. The table to determine true tax value, as provided in section 7(b) of this rule, automatically makes allowance for this type of obsolescence. The values arrived at as a result of this table reflect the application of the double declining balance depreciation method to the point where straight line depreciation would be more beneficial to the taxpayer. This accelerated depreciation, and use of a short useful life and historical cost reflect any physical, functional, or economic obsolescence except to the extent that these items qualify for abnormal obsolescence as defined.

(c) Eligibility. The term "abnormal obsolescence" will be strictly construed and be limited to a situation where unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe occurs, providing that such events have a direct effect upon the valuation of the depreciable personal property of the taxpayer on a going concern basis at the tax situs in question.

(d) Adjustment. The dollar amount of the adjustment for the depreciable personal property pursuant to this section in no event can exceed the tentative true tax value as computed in section 7 of this rule, for the specific unit or units of depreciable personal property on which the taxpayer claims the adjustment. If the property has been incapable of continued use for a prolonged period during the assessment year, for a reason identified as qualifying for abnormal obsolescence, it will be eligible for an adjustment to be computed as follows:

(1) If the cost-to-cure the cause of the abnormal obsolescence is equal to or less than the anticipated increase in utility, and hence value, it is economically feasible to repair or replace the impaired item and is thus deemed curable. The dollar amount of the cost-to-cure shall be the basis for determining the amount of abnormal obsolescence.

(2) If the cause of the impairment cannot be corrected, or the cost-to-cure the cause of abnormal obsolescence is in excess of its contribution to the value of the property, it shall be deemed to be incurable. The amount of adjustment therefore shall be based upon the scrap or salvage value of the affected item, and shall be limited to the true tax value before adjustment for abnormal obsolescence of the affected item itself.

EXAMPLE 1

Taxpayer ABC has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is eight hundred thousand dollars (\$800,000), and is less than the anticipated benefits to be obtained from the use of the affected asset. The depreciable asset has an adjusted basis of six million five hundred thousand dollars (\$6,500,000), and an acquisition date and depreciable life which result in a true tax value factor of twenty percent (20%) (the total true tax value, of all of ABC's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is greater than thirty

percent (30%) of the total adjusted cost). The taxpayer should compute the abnormal obsolescence adjustment as follows:

Reported basis of asset		\$6,500,00
Qualifying for abnormal		0
Obsolescence adjustment		
Prescribed true tax		
Valuation factor	x	20%
True tax value of item		
Prior to adjustment		\$1,300,000
For abnormal obsolescence		
Less: cost-to-cure cause of		
Abnormal obsolescence		\$800,000
Prescribed true tax		
Valuation factor	x	20%
Allowable adjustment for		
Abnormal obsolescence—to		
Line 68, Schedule A, Form		- 160,000
103		
True tax value of item		<u>\$1,140,000</u>

In no instance may the adjustment for abnormal obsolescence exceed the true tax value of the affected item prior to such adjustment, or result in a true tax value less than the scrap or net realizable value of the affected asset.

EXAMPLE 2

Taxpayer XYZ has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is four hundred sixty thousand dollars (\$460,000), and exceeds the benefits expected from any further use of the affected asset. The depreciable asset has an adjusted basis of two million three hundred thousand dollars (\$2,300,000) and an acquisition date and depreciable life which result in a tentative true tax value factor of twelve percent (12%) (the total true tax value, of all of XYZ's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is less than thirty percent (30%) of the total adjusted cost). The taxpayer is able to demonstrate that the salvage value of the affected item is seventy-two thousand dollars (\$72,000). The taxpayer should compute the adjustment as follows:

Reported basis of asset		\$2,300,00
Qualifying for abnormal		0
Obsolescence adjustment		
Prescribed true tax		
Valuation factor	x	30%
True tax value of item		
Prior to adjustment for		\$690,000
Abnormal obsolescence		
Less: documented net		
Realizable value		- 72,000
Allowable adjustment for		
Abnormal obsolescence		<u>\$618,000</u>

(State Board of Tax Commissioners; 50 IAC 4.2-4-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 843, eff Mar 1, 1989)

50 IAC 4.2-4-9 Minimum valuation

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 9. (a) Notwithstanding the foregoing provisions of this rule, the total valuation of a taxpayer's assessable depreciable personal property in a single taxing district cannot be less than thirty percent (30%) of the adjusted cost of all such property of the taxpayer.

(b) Exception. This limitation shall be applied prior to any special adjustment for abnormal obsolescence as provided in section 8 of this rule. The limitation does not apply to equipment not placed in service, special tooling, and permanently retired depreciable personal property. (*State Board of Tax Commissioners; 50 IAC 4.2-4-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 845, eff Mar 1, 1989*)

50 IAC 4.2-4-10 Determination of property as real or personal

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-1

Sec. 10. (a) Real and personal property guide. The following guide is intended to assist in the identification of property as either real or personal.

The use of a unit of machinery, equipment, or a structure determines its classification as real or personal property. If the unit is directly used for manufacturing or a process of manufacturing, it is considered as personal property. If the unit is a land or building improvement, it is considered as real property.

Beginning with the date when the March 1, 1989 reassessment becomes effective, the following property will be treated as tangible business personal property: all ash handling systems, pit and framing related to the system; coal handling systems; prefab walk-in type cold storage rooms; conveyor housings; crane runways including supporting columns or structure and foundation inside or outside of buildings; ore bridge foundations; and spray pond piping and equipment. The following property will be treated as real property:

- (1) package air conditioning units, through the wall commercial type;
- (2) grain bins for storage;
- (3) above ground swimming pools; and
- (4) portable confinement sheds or buildings.

These treatments are changes from the previous reassessment.

(b) Land improvement – Real.

Retaining walls, piling and mats for general improvement of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, fencing, reservoirs, dikes, dams, ditches, canals, and drainage.

Fixed river, lake, or tidewater wharves and docks.

Permanent standard gauge railroad trackage, bridges, and trestles.

Walls forming storage yards and fire protection dikes.

Note that on-site utility piping, such as sanitary and storm sewers, potable water and fire prevention lines, and gas lines are considered as on-site improvement costs and are valued with the land.

(c) Buildings – Real.

Structural and other improvements to buildings, including foundations, walls, floors, roof, insulation, stairways, partitions, loading and unloading platforms and canopies, areaways, systems for heating, air conditioning, ventilating, sanitation, fixed fire protection, lighting, plumbing, and drinking water, building

elevators and escalators.

(d) Miscellaneous.

Agricultural irrigation system including distribution system above or below ground – Personal.

Air conditioning:

Building air conditioning for comfort of occupants – Real.

Package units, through the wall commercial – Real.

Special process to maintain controlled temperature and humidity – Personal.

Air lines for machinery and equipment – Personal.

Aluminum pot lines – Personal.

Anhydrous ammonia tanks:

Stationary – Real.

Portable – Personal.

Ash handling system, pit and framing related to system – Personal.

Asphalt mixing plant and equipment (movable) – Personal.

Auto-call and telephone system – Personal.

Bar and equipment – Personal.

Bins – permanently affixed for storage – Real.

Boilers:

Manufacturing process – Personal.

Building service – Real.

Booths for welding – Personal.

Bowling alley lanes – Personal.

Bucket elevators (open or enclosed including casing) – Personal.

Building, such as special constructed storage, poultry, livestock processing buildings – (not including machinery or equipment) – Real.

Bulkheads making additional land area to be assessed with and as part of the improved land – Real.

Carpeting, commercial – (Real or Personal) – The real property assessment includes a finished floor. If the carpet is installed over an existing finished floor, then carpeting becomes personal property. If, as in the case of many newer buildings, carpeting has been specified and is the only finished floor, then carpeting is assessed as real property.

Cistern – Real.

Coal, handling system – Personal.

Cold storage:

Built-in cold storage rooms – Real.

Cold storage refrigeration equipment – Personal.

Cold storage, prefab walk-in type – Personal.

Control booth – Personal.

Conveyor:

Housing – Personal.

Tunnels – Real.

Unit including belt and drives – Personal.

Cooling Towers:

Primary use for manufacturing – Personal.

Primary use for building – Real.

Crane:

Moving crane – Personal.

Runways including supporting columns or structure and foundation inside or outside of buildings – Personal.

Dock levelers – Personal.

Drapes – Personal.

Drying rooms:

Structure – Real.

Heating System – Personal.

Dust catchers – Personal.

Fence, security – Real.

Fire alarm system – Personal.

Fire walls, masonry – Real.

Floors, computer room – Real.

Foundations for machinery and equipment – Personal.

Gas lines for equipment or processing – Personal.

Grain bins, storage – Real.

Grain drying equipment – Personal.

Grain drying equipment (such as: augers, aerators) – Personal.

Grain elevators (commercial, industrial), storage, silos, tanks, cupolas, workinghouse, headhouse, milling space – Real.

Grain elevator machinery and equipment (commercial, industrial) such as legs (inside or outside), conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading and unloading systems, truck scales, all processing machinery and equipment – Personal.

Gravel plant – machinery and equipment – Personal.

Greenhouses:

Building – Real.

Benches and heating system – Personal.

Hoist, hoist pits – Personal.

Hydraulic lines – Personal.

Irrigation equipment – Personal.

Kilns:

Lumber, drying kiln structure – Real.

Concrete block, drying kiln structure – Real.

Laundry, steam-generating equipment – Personal.

Lighting:

Yard – Personal.

Special purpose, inside – Personal.

Service station (except building) – Personal.

Mixers and mixing houses – Personal.

Ore bridge foundation – Personal.

Ovens, processing – Personal.

Piping, process piping above or below ground – Personal.

Pits for equipment or processing – Personal.

Pools, swimming, in-ground or above-ground – Real.

Power lines and auxiliary equipment – Personal.

Pumps and motors – Personal.

Pump house (including substructure) – Real.

Racks and shelving (portable or removable) – Personal.

Railroad siding (except belonging to railroad) – Real.

Ready-mix concrete batch plant and equipment – Personal.

Refrigeration equipment – Personal.

Refrigerated display cabinets – Personal.

Sanitary system – Real.

Satellite dishes:

- Commercial use – Personal.

Scale houses – Real.

Scales:

- Truck or railroad scales including pit – Personal.
- Dormant scales – Personal.

Septic system (priced with land) – Real.

Sheds or buildings:

- Permanent, affixed or portable confinement buildings – Real.
- Agricultural open portable pull-type – Personal.
- Detached storage structures – Real.

Signs, including supports and foundation – Personal.

Silos:

- Containing a manufacturing process – Personal.
- Farm storage silos – Real.
- Silo equipment – Personal.
- Storage – Real.

Spray pond:

- Masonry reservoir – Real.
- Piping and equipment – Personal.

Sprinkler system – Real.

Stacks:

- Supported individually and servicing heating boilers – Real.
- Servicing personal property units or a process – Personal.

Steam electric generating plant and equipment – Personal.

Stone crushing plant, equipment – Personal.

Storage facilities, permanent of masonry or wood – Real.

Storage vaults and doors, including bank vaults and doors – Real.

Substation:

- Building – Real.

Equipment – Personal.

Tanks:

Storage only (except as indicated below) above or below ground – Real.

Used as a part of a manufacturing process – Personal.

Underground gasoline tanks at service stations – Personal.

Towers, TV or radio broadcasting – Personal.

Transformers – Personal.

Tunnels – Real.

Tunnels, waste heat, or processing – Personal.

Unit heaters, nonportable – Real.

Unit heaters, portable – Personal.

Unloader runway – Personal.

Ventilating – Real.

Ventilating system for manufacturing equipment – Personal.

Walls, portable partitions – Personal.

Water lines, for processing above or below ground – Personal.

Water pumping station, building and structure – Real.

Water pumps and motors – Personal.

Water treating and softening plant building and structure – Real.

Water treating and softening equipment – Personal.

Wells, pumps, motors, and equipment – Personal.

Wiring – power wiring – Personal.

(State Board of Tax Commissioners; 50 IAC 4.2-4-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 845, eff Mar 1, 1989)

Rule 5. Valuation of Inventory

50 IAC 4.2-5-1 “Inventory” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 1. (a) Inventory subject to tax. As used in this article, “inventory” means the aggregate of those elements of cost incurred to acquire or produce items of tangible personal property as defined in 50 IAC 4.2-1-1(h) which are:

- (1) held for sale in the ordinary course of business;
 - (2) are currently in the process of production for subsequent sale;
 - (3) are ultimately to be consumed in the production of the goods or services to be available for sale; or
 - (4) are utilized in marketing or distribution activities.
- (b) The term “inventory” embraces the following:
- (1) Goods awaiting sale. Goods or commodities awaiting sale which include, but are not limited to:
 - (A) the merchandise of a retail or wholesale concern;
 - (B) the finished goods of a manufacturer;
 - (C) commodities from farms, mines, and quarries; and

- (D) goods which are used or trade-in merchandise and by-products of a manufacturer.
- (2) Work in process. Goods or commodities, which are in the course of production at the Indiana location, i.e., items needing further processing to be considered finished or ready for shipment.
- (3) Raw materials and supplies. Goods, which will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, raw materials, supplies, repair parts, expendable tools and samples.

(State Board of Tax Commissioners; 50 IAC 4.2-5-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 848, eff Mar 1, 1989)

50 IAC 4.2-5-2 Inventory subject to assessment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-31-1; IC 26-1

Sec. 2. (a) Generally, all inventory with a tax situs in the state on the assessment date shall be subject to assessment. Certain inventories per 50 IAC 4.2-12, have specific exemption procedures. Every person, including any firm, partnership, association, corporation, fiduciary, or individual owning, holding, possessing, or controlling inventory in any capacity whatsoever with a tax situs within the state on the assessment date is required to file a personal property tax return and report such inventory as provided in 50 IAC 4.2-2-2.

(b) Inventory stored in a warehouse. The inventory subject to assessment includes all inventory whether or not in the actual possession of the owner within the state on the assessment date.

“Warehouse” means an area, enclosure, building, or structure, public or private, maintained for the storage of inventory or other tangible personal property.

“Public warehouse” means a storage facility which is operated by one engaged in the business of receiving, shipping, or storing goods of others for hire, through the issuance of warehouse receipts and releases, in accordance with the Indiana Uniform Commercial Code (IC 26-1). The storage facility must be under the supervision and control of the warehouseman and manned by its employees or agents, thereby excluding from this definition leased facilities operated by a lessee not engaged in the business of public warehousing.

Inventory maintained in a warehouse will be subject to assessment, and the tax will be imposed upon the owner thereof unless otherwise provided.

Every owner or operator of a warehouse, grain elevator (see also 50 IAC 4.2-15-5), terminal, or other storage facility is required to report by May 15 of the current year (with extension) all tangible personal property stored therein which it holds, possesses, or controls but does not own, on Form 103-N (50 IAC 4.2-2-9). All tangible personal property stored in a warehouse must be reported for assessment purposes in the township or taxing district where such property has a tax situs on the assessment date by the owner thereof. To the extent that the owner of said property is identified, said property shall be assessed to the owner. However, if as of the filing date (May 15 with extension), the owner of the property as of the assessment date is unknown by the assessor, said property shall be assessed to the possessor of such property. If the owner claims that such tangible personal property is exempt from assessment for taxation, the exemption shall be claimed on the tax return filed as provided in 50 IAC 4.2-12.

(c) Consigned goods. Inventory consigned for sale is to be assessed to the owner of the consigned property in the taxing district where a tax situs exists on the assessment date. The owner of the property (consignor) is required to file a complete return, including a complete list of such property on Form 103-O (50 IAC 4.2-2-9), in each taxing district where the property has a tax situs, to the township assessor(s) showing the name and address of the person in possession, model, description, location, quantities, and value per this

article.

The value of such inventory is the cost of that inventory to the owner (consignor) as defined in section 5 of this rule.

The consigned inventory must be reported as not-owned property by the consignee and clearly designated as such. This property must be reported on Form 103-N (50 IAC 4.2-2-9), giving the name and address of the owner (consignor), model, description, location, quantities, and value per this article.

(d) Grain. All whole grain that is owned, controlled, or possessed by any taxpayer with a tax situs within the state on the assessment date is required to be reported for assessment in the taxing district where situated.

The grain shall be valued according to the annual published values provided by the state board.

The quantities and types of grain owned, controlled, or possessed shall be reported on the tax return filed.

The value of the grain as computed in this section will be subject to all adjustments provided in this article as in the case of all other classes of inventory, except the thirty-five percent (35%) valuation adjustment per section 13 of this rule. (*State Board of Tax Commissioners; 50 IAC 4.2-5-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 848, eff Mar 1, 1989*)

50 IAC 4.2-5-3 Book cost

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 3. "Cost per books." Except as otherwise provided in this article, the cost of inventory as recorded on the regular books and records of the taxpayer on the assessment date must be reported on the personal property return of the taxpayer. If a taxpayer uses the lower of cost or market for valuing inventory for book accounting purposes, this method is allowable for Indiana property tax purposes. (*State Board of Tax Commissioners; 50 IAC 4.2-5-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 849, eff Mar 1, 1989*)

50 IAC 4.2-5-4 Mandatory adjustments

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 4. If the cost per books of the inventory reported by the taxpayer does not include the following items, such cost must be adjusted before reflecting any valuation adjustments or exemptions:

(1) LIFO reserve (the last-in-first-out method of valuing inventories). No reduction for LIFO is allowed in the valuation of inventories pursuant to this article. If the dollar amount shown as the cost per books of the taxpayer's inventory has been reduced for a LIFO adjustment, the dollar amount of the adjustment must be added back.

(2) Manufacturing expenses (overhead or indirect cost). If the cost per books of inventory located at the manufacturing or processing plant excludes any or all manufacturing overhead, an adjustment increasing such cost must be made for the overhead excluded before any valuation adjustments will be allowable.

(3) Wholesalers and retailers allocable expenses. If the cost per books of inventory owned by a wholesaler or retailer excludes any or all allocable expenses (as defined in section 5(c) of this rule), an adjustment increasing such cost must be made for the allocable expenses excluded.

(4) Discounts and freight. The cost of the inventory shall be reduced for purchase, trade, and cash discounts providing the cost per books of the taxpayer's inventory includes these items. The cost of inventory shall be increased for freight-in to the extent that it is attributable to the inventory on hand, providing the cost per books of the taxpayer's inventory does not reflect this item.

(5) Adjustment for standard cost. If the inventory on the books is recorded at a standard cost, an adjustment is required to reflect the difference, if any, between such standard cost and actual cost.

(6) Royalties, editorial, license, or copyright fees. If the cost per books of inventory excludes any royalties, editorial costs, license or copyright fees, an adjustment increasing such cost must be made for reporting purposes under this article before any valuation adjustments will be allowable pertaining to that inventory. If the expenditure is contingent upon the sale of the inventory, it shall not be deemed to be indirectly incurred.

(7) Taxes. If the cost per books of inventory excludes any taxes (other than state, local, and foreign income taxes) which have been paid or incurred, an adjustment increasing such cost must be made for reporting purposes under this article before any valuation adjustments will be allowable pertaining to that inventory.

(State Board of Tax Commissioners; 50 IAC 4.2-5-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 849, eff Mar 1, 1989)

50 IAC 4.2-5-5 Definitions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 5. (a) "Cost of inventory." The primary basis of accounting for inventories is cost, which has been defined generally as the price paid or consideration given to acquire an asset. As applied to inventories, cost means, in principle, the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location as of the assessment date. Uniform capitalization rules generally require capitalization of all direct material, direct labor, and an allocable portion of indirect costs attributable to acquiring or producing tangible personal property.

Manufactured or work in process inventory located at the manufacturing or processing plant will include all costs paid or incurred for materials, labor, and manufacturing expenses to bring the inventory to the actual state of completion on the assessment date.

As used in the phrase "lower of cost or market", cost should be carried forward for assignment in future periods except when it is evident that the utility of the goods is no longer as great as their cost. Where there is evidence that the utility of goods, in their disposal in the ordinary course of business, will be less than cost, whether from damage, deterioration, obsolescence, style change, over-supply, reduction in price levels, or other causes, the inventory items should be stated at a lower level commonly designated as market.

"Market" means current replacement cost (by purchase or by reproduction, as the case may be) except that:

(1) market should not exceed the net realizable value, i.e., estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal; and

(2) market should not be less than net realizable value reduced by an allowance for an approximately normal profit margin.

EXAMPLE

To illustrate the application of the foregoing, assume the following for the sale of a certain commodity: selling expense twenty dollars (\$20); normal profit fifteen dollars (\$15).

Assuming estimated sales price, actual cost, and replacement cost as indicated below, the lower of cost or market as limited by the foregoing concepts is found in each case as follows:

	Estimated Sales Price	Cost	Market			Lower of Cost or Market
			Floor	Ceiling	Replacement Cost	
(a)	\$75	<u>50</u>	40	55	60	50
(b)	75	50	40	55	<u>45</u>	45
(c)	75	50	<u>40</u>	55	35	40
(d)	65	50	30	<u>45</u>	55	45
(e)	65	50	30	45	<u>40</u>	40
(f)	65	50	<u>30</u>	45	25	30
The value underlined is the value that is applicable for purposes of the cost or market determination.						

(b) “Manufacturing expenses” (overhead or indirect costs). Manufacturing expenses are herein defined as those costs of manufacturing that in an accounting sense are costs that are not directly attributable to the item being produced. These indirect costs consist of, but are not limited to, such items as:

- (1) repairs and maintenance of equipment and facilities;
- (2) utilities;
- (3) rental of equipment, facilities, or land;
- (4) indirect labor;
- (5) supervisory wages;
- (6) indirect materials and supplies;
- (7) quality control and inspection;
- (8) depreciation, amortization, and cost recovery allowable on equipment and facilities;
- (9) rework labor;
- (10) scrap and spoilage;
- (11) factory administrative cost;
- (12) administrative, service, or support functions related to production;
- (13) production officers' salaries;
- (14) insurance on production plant, production equipment, and inventory;
- (15) employee benefits (not including the past service portion of pension plans);
- (16) bidding costs on awarded contracts;
- (17) engineering and design expenses (other than research and experimental expenses);
- (18) off-site storage and warehousing;
- (19) purchasing costs;
- (20) handling costs; and
- (21) a portion of general and administrative costs allocated to these functions.

Many of these costs are of such nature that the taxpayer in its regular accounting system determines by an estimate the amount of each cost that is used in a specific operation and consequently, for accounting purposes, allocates such costs at various stages, processes or upon completion, based upon a percentage of a determinable cost. A determinable cost is a cost that in an accounting sense is measured as incurred. Consequently, indirect cost or overhead is comprised of those expense items or costs that, for the accounting purposes of the taxpayer filing the return, are allocated to the product being produced on a percentage basis or some other reasonable relationship. Physical association of these costs with the items produced is seldom possible; nevertheless, the

past experience of a company will offer a valid basis for allocation.

(c) “Allocable expenses” (wholesalers' and retailers' general and selling). Wholesalers' and retailers' general and selling expenses are of two (2) general types: those required to bring inventory to the point of sale and those necessary to execute the sale. The costs incurred to bring the property to the point of sale must be assigned to the value of inventory on the basis that these are proper service contributions made to bring the goods to the point of sale and to ensure the assessment of similar property at a similar value for the sake of uniformity and equity. This adjustment for the inclusion (capitalization) of allocable expenses is required to be made in determining the cost of inventory for personal property tax purposes notwithstanding book accounting or uniform capitalization rules per Section 263 A of the Internal Revenue Code of 1986. These costs consist of, but are not limited to:

- (1) Off-site storage and warehousing: off-site storage is any storage other than space that is physically attached to a retail sales facility where customers make purchases in person. The costs relating to an off-site storage facility include:
 - (A) all labor costs, including normal (but not past service) pension costs and fringe benefits;
 - (B) occupancy expenses such as rent, depreciation, insurance, security, taxes, utilities, and maintenance; and
 - (C) materials, supplies, tools, and equipment.
- (2) Purchasing costs which include:
 - (A) labor costs of purchasing personnel (including pension costs and fringe benefits); and
 - (B) office machines, supplies, telephone, and travel relating to purchasing activities.
- (3) Handling costs which include:
 - (A) processing;
 - (B) assembling and repackaging merchandise; and
 - (C) transportation from place of purchase to the storage facility; between storage facilities; and from any location to the retail outlet.
- (4) General and administrative costs: a retailer or wholesaler must treat as inventory costs the portion of general and administrative expenses attributable to off-site storage, purchasing, and handling activities.

EXAMPLE OF ASSIGNMENT OF ALLOCABLE COSTS TO
INVENTORY OF A WHOLESALER OR RETAILER

Retailer Inc.'s sales for the past three (3) years have averaged less than ten million dollars (\$10,000,000) and thus not all of the required costs (as defined in this subsection), are assigned to inventory and cost of goods sold for federal income tax purposes.

Retailer's income statement for the year ended December 31, 19X1 can be summarized as follows:

Beginning inventory,	
January 1,	
19X1: stock-in-	\$ 250,000
trade	
(including	
freight)	
Purchases and freight	+4,000,000
in for the year	
Goods available for	\$4,250,000
sale	

Less: ending inventory, December 31, 19X1	- 300,000
Cost of goods sold for 19X1	<u>\$3,950,000</u>
Expenses for the year: assignable to inventory cost per subsection (c) (includes off-site warehousing, purchasing, receiving, and general and administrative costs)	<u>\$ 205,000</u>
Divide by: purchases for the year	<u>4,000,000</u>
Allocation factor	5.125%
Multiply by: the March 1, 19X2 inventory cost per books	<u>x 310,000</u>
Equals: adjustment for allocable costs not included in Retailer Inc.'s cost per books	<u>\$ 15,888</u>
Total March 1, 19X2 inventory which is taxable for personal property tax purposes (\$310,000 + \$15,888)	<u>\$ 325,888</u>

The previous computation is an example of an acceptable method of computing the amount to be added to the book inventory for personal property assessment purposes. Each taxpayer is required to compute their unapplied costs based upon the particular records and details of their business. Studies have suggested that the capitalization of allocable costs which were properly expensed for federal income tax purposes will increase the cost of inventory for an average business approximately five percent (5%) over the correctly recorded book cost. This five percent (5%) figure is intended only as a guideline.

(d) "Intra-company profits" means the net profits on intra-company transfers within the legal entity filing the tax return and not profits from a separate legal entity, regardless of any inter-corporate relationships. Intra-company profits are not required to be included in the valuation of inventory for assessment purposes since they have not been earned. (*State Board of Tax Commissioners; 50 IAC 4.2-5-5; filed Dec 7, 1988, 9:35*

a.m.: 12 IR 850, eff Mar 1, 1989)

50 IAC 4.2-5-6 Inventory not on a perpetual basis

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 6. If the cost per books of the taxpayer's inventory does not reflect the inventory on the assessment date because the taxpayer's regular books and records do not account for inventory on a perpetual basis and do not accurately reflect the inventory on hand at the end of each uniform accounting period (which shall not be less than twelve (12) periods) in the prior year, the taxpayer is required to make an adjustment to reflect the cost of purchases and dispositions that occurred since the last physical inventory to the assessment date.

Example of Working an Inventory Forward
for a Manufacturer

Manufacturing, Inc. has a federal year-end of December 31, 19X1. Manufacturing, Inc. does not have regular books and records which account for inventory on a perpetual basis. The following is an example of how Manufacturing, Inc. adjusts its inventory to March 1, 19X2, the assessment date.

Manufacturing, Inc. has the following inventory recorded on its books at 12-31-X1 (year-end):

Raw materials	\$ 10,000
Work in process	2,000
Finished goods	<u>6,000</u>

Total recorded inventory at 12-31-X1 \$ 18,000

Interim period
purchases
(1-1-X2 to
3-1-X2):

Raw materials purchases	\$ 10,000
Direct labor	8,000
Manufacturing overhead (seventy- five percent (75%) of direct labor)	<u>6,000</u>

Total interim period purchases \$ 24,000

Information taken from federal
return:

Cost of goods sold (for year ended 12-31-X1)	\$ 80,000
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Divided by:

Net sales (for year ended 12- 31-X1)	<u>\$100,000</u>
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Equals:

Cost of sales percentage	80%
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Multiplied by:

Net sales (interim period 1-1-X2 to 3-1-X2)	\$ 20,000	
Cost of sales (1-1-X2 to 3-1-X2)		\$ 16,000
Excess of purchases to sales indicating an increase in inventory for the period		\$ 8,000
Total inventory on hand March 1, 19X2		\$ 26,000

Example of Working an Inventory Forward for a Retailer

Retailer Company has a federal year-end of June 30, 19X1. Retailer Company does not have regular books and records which account for inventory on a perpetual basis. The following is an example of how Retailer Company adjusts its inventory to March 1, 19X2, the assessment date.

Retailer Company has the following inventory recorded on its books at 6-30-X1 (year-end):

Stock in trade		\$ 50,000
Interim period purchases (7-1-X1 to 3-1-X2):		
Purchases	\$ 47,825	
Freight-in	975	
Allocable costs	2,700	
Total interim period purchases		\$51,500
Information taken from federal tax return:		
Cost of goods sold (for year ended 6-30-X1)		\$ 60,000
Divided by:		
Net sales (for year ended 6-30-X1)	\$100,000	
Equals:		
Cost of sales percentage	60%	
Multiplied by:		
Net sales (interim period 6-30-X1 to 3-1-X2)	\$ 89,167	
Cost of sales (6-30-X1 to 3-1-X2)		\$53,500
Excess of sales to purchases indicating a decrease in inventory for the period		(\$ 2,000)
Total inventory on hand March 1, 19X2		\$48,000

Note: Stock in trade and cost of goods sold must include allocable costs as defined in section 5(c) of this rule. (*State Board of Tax Commissioners; 50 IAC 4.2-5-6; filed Dec 7, 1988, 9:35 a.m.; 12 IR 852, eff Mar 1, 1989*)

50 IAC 4.2-5-7 Alternative method

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3-11; IC 6-1.1-31

Sec. 7. (a) As an alternative to any other method(s) described in this article, a manufacturer or processor in this state who is in possession of inventory on the assessment date, which it manufactured or processed at the tax situs for which the return is prepared, may value finished goods and work in process inventory as follows:

(1) The cost of raw materials and supplies which must include the total cost directly or indirectly incurred, including freight, to bring the property to the location where it will be utilized in the manufacturing process. Manufacturers or processors acquiring manufactured products from related entities shall include in the accountability cost the sum of all costs directly or indirectly incurred in bringing the article to its existing condition and location on the assessment date.

(2) The cost of all direct production labor.

(3) The thirty-five percent (35%) valuation adjustment will not be allowed for work in process and finished goods inventory.

(4) Raw materials and supplies inventories will qualify for the thirty-five percent (35%) valuation adjustment, provided that such items have not entered the manufacturing process.

(5) Any adjustment taken from inventory valuation must be the same basis on which it was included in the tax return.

(6) This election must be applied to all locations within this state, except as noted in subdivision (7). If this alternative method is elected, the taxpayer may not use any other method to value inventory for any subsequent year unless a written request has been approved by the state board prior to the due date of the return.

(7) This election is available only for manufacturers' or processors' finished goods or work in process inventories to the extent that the goods have not entered another level of trade.

(b) Taxpayer's computation. Computations of the adjustments outlined in this section are required to be attached to the tax return and/or computed on Form 106 provided by the state board pursuant to 50 IAC 4.2-2-9. (*State Board of Tax Commissioners; 50 IAC 4.2-5-7; filed Dec 7, 1988, 9:35 a.m.; 12 IR 853; eff Mar 1, 1989*)

50 IAC 4.2-5-8 Reporting of inventory not carried on books of taxpayer

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-1; IC 6-1.1-31

Sec. 8. (a) All inventory as defined in sections 1 through 2 of this rule is required to be reported for personal property tax assessment purposes regardless of the fact that a taxpayer may expense such inventory in the period acquired for regular accounting or federal tax purposes or that a taxpayer's books and records fail to properly reflect inventory on hand but not recorded. This includes, but is not limited to, supplies, repair parts, or expendable tools on hand on the assessment date.

(b) Valuation of inventory expensed on books. In general, unless the taxpayer can otherwise substantiate, the value of the unrecorded inventory will be computed as follows:

(1) Expenditures for year. The total expenditures for the unrecorded inventory items by the taxpayer during the twelve (12) months immediately preceding the assessment date shall be determined by reference to the regular books and records of the taxpayer.

(2) Valuation. One-twelfth ($\frac{1}{12}$) of the total expenditures for the year for unrecorded inventory must be reported as the valuation of the unrecorded inventory.

(3) Required computation. This computation must be made for each classification of unrecorded inventory that may exist.

(4) Alternative. The taxpayer may deviate from the above computation of the valuation for unrecorded inventory, however, they must so indicate on the tax return filed, must include therein a computation of the unrecorded inventory and must be able to substantiate the computation.

(c) Valuation of unrecorded inventory. Except as provided in subsection (b), the value of inventory not recorded on the books and records of the taxpayer on the assessment date is the actual cost of such inventory. (*State Board of Tax Commissioners; 50 IAC 4.2-5-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 853, eff Mar 1, 1989*)

50 IAC 4.2-5-9 Average method of valuation

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3; IC 6-1.1-31

Sec. 9. (a) Election. A taxpayer may elect to value inventory on the prior calendar year average. This is applicable to all taxpayers, including manufacturers, with respect to materials held for use and production, supplies of all types, finished and partly-finished goods of manufacturers or processors.

(b) Procedure. This election is made by notification to the assessor at the time of filing the tax return and so indicating on the tax return being filed.

(c) Binding on future years. The election once made is binding upon the taxpayer for the tax year in question and for each year thereafter unless written permission to change for reasonable cause is granted by the state board.

(d) Effective for all locations in state. When a taxpayer has elected to use the average method, they must use that method for reporting the value of their inventory wherever located in the state. When the taxpayer is a new taxpayer in a taxing district and becomes a new taxpayer between December 31 and March 1 of the assessment year, the election is not binding because the taxpayer did not have inventory at the tax situs in question for the preceding calendar year or a portion thereof.

(e) The base for determining average inventory. The average inventory shall be determined by computing the cost (as provided in sections 3 through 8 of this rule or section 11 of this rule) of the inventory on hand at the end of each uniform accounting period in the prior calendar year which shall not be less than twelve (12) periods.

(1) Base. The accounting periods used by the taxpayer to determine the base for computing average inventory must be the accounting period which represents a regular and ordinary practice of the taxpayer.

(2) In business for portion of year. If a taxpayer was engaged in business for only a portion of the preceding calendar year in a taxing district, the average method of valuation shall be based upon the average of the full calendar months during which the taxpayer was engaged in business in the prior calendar year.

(3) Records required. Adequate books and records showing the property on hand and the value thereof as of the last day of each accounting period in the prior calendar year must be maintained by the taxpayer electing to use the average method of inventory valuation.

(f) New taxpayer in a taxing district. If a taxpayer becomes a new taxpayer in a taxing district between December 31 and the March 1 assessment date, the actual cost of the inventory on hand at the given taxing district on the assessment date must be reported by the taxpayer in the return being filed.

(1) Exception. This is required even though the taxpayer has made a valid election to compute their inventory on the average method for the entire state.

(2) First year. This exceptional procedure is applicable only for the first year that a taxpayer is a new

taxpayer in a taxing district.

(3) New taxpayers. For purposes of this section, a taxpayer will be deemed to be a new taxpayer in a taxing district when they have not had inventory in the given taxing district for any month during the preceding calendar year.

(State Board of Tax Commissioners; 50 IAC 4.2-5-9; filed Dec 7, 1988, 9:35 a.m.; 12 IR 854, eff Mar 1, 1989)

50 IAC 4.2-5-10 Average inventory election for perishable horticultural processors

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3; IC 6-1.1-31

Sec. 10. (a) In lieu of all other methods specified in this section, a first processor of perishable horticultural products may list for assessment inventory of such products which have passed the first process stage at one-twelfth ($\frac{1}{12}$) the true tax value of such products so processed by such processor in the twelve (12) month period ending on the assessment date, or at one-twelfth ($\frac{1}{12}$) the true tax value of such products stored by such processor on the assessment date. If such processor has not been in business for a continuous twelve (12) month period preceding the assessment date, such inventory may be listed for assessment at the true tax value of such products processed during the period during which such processor was in business divided by the number of whole months during such period, or at the true tax value of such products stored by such processor on the assessment date divided by the number of whole months during such period.

(b) Definitions:

(1) "First process" means the first operation of preservation after harvest.

(2) "First processor" means that the product must have been processed by the processor claiming the special valuation treatment under this section and the product must have passed the first stage of preservation on the assessment date.

(3) "Perishable" means products subject to decay and spoilage. A commodity is not regarded as perishable at the time of receipt from the farm unless under ordinary circumstances some affirmative and continuous step such as refrigeration or canning is necessary within forty-eight (48) hours of harvest to preserve it from decay or spoilage.

(4) "Horticultural products" means products recognized as qualified for special valuation treatment under this section and includes fruits and vegetables for human consumption:

- (A) cherries;
- (B) lima beans;
- (C) peas;
- (D) turnip greens;
- (E) spinach;
- (F) tomatoes;
- (G) asparagus;
- (H) green beans;
- (I) sweet corn;
- (J) grapes, in the form of wine;
- (K) pimentoes;
- (L) plums;
- (M) red raspberries;
- (N) strawberries;

- (O) broccoli;
- (P) cauliflower;
- (Q) brussel sprouts;
- (R) peaches;
- (S) shellie beans;
- (T) waxed beans;
- (U) apricots; and
- (V) cucumbers, in the form of pickles.

(5) "One-twelfth ($\frac{1}{12}$) the true tax value" means the special valuation treatment under this subsection shall be applied only to those products which qualify in subdivision (4) and will not include the value of any other ingredients or additives, the container, label, or shipping case. No additional thirty-five percent (35%) valuation adjustment as provided under section 13 of this rule, will be allowed for products qualified under this section.

(c) Reporting purposes. The taxpayer shall report the actual March 1 booked inventory in the tax return being filed. An adjustment to the value computed using the average valuation shall be taken in the space provided on the return and clearly indicated as an adjustment for average inventory valuation. (*State Board of Tax Commissioners; 50 IAC 4.2-5-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 854, eff Mar 1, 1989*)

50 IAC 4.2-5-11 Optional method of valuation for retailers

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 11. (a) Retail method of valuing inventory. Retail merchants may, in lieu of reporting their inventory on the basis of historical cost, compute the cost of their inventory pursuant to this section. The provisions of this section result in the inventory being valued at the lower of cost or market.

(b) Retail selling price of inventory on the assessment date. The retail selling price of inventory on the assessment date is computed by adding the retail selling price of purchases and any markups made between the end of the preceding federal tax year and the assessment date to the retail selling price of the ending inventory for the preceding federal tax year and subtracting the actual net sales and realized markdowns that have occurred and been realized between the end of the preceding tax year and the assessment date.

(c) Cost ratio. The cost ratio is computed from information obtained from the federal income tax return for the tax year ending immediately preceding the assessment date. The following factors must be computed:

(1) Cost of goods available for sale is the sum of the cost of beginning inventory plus the cost of purchases during the year.

(2) The retail value of goods available for sale is the sum of the beginning inventory at retail sales price plus the retail sales price of purchases during the tax year plus net markups (markups less markup cancellations).

(3) The cost ratio is the "cost of goods available for sale," computed in subdivision (1), divided by the "retail value of goods available for sale," as computed in subdivision (2).

(d) Inventory on the assessment date at lower of cost or market. The ending inventory at the lower of cost or market is computed by multiplying the "cost ratio" computed in subsection (c)(3), by the "retail selling price of inventory on the assessment date," as computed in subsection (b).

(e) Records required. If a taxpayer cannot substantiate from the regular books and records of the taxpayer the actual markups, markup cancellations, and markdowns actually realized, the election to use the

retail method of valuation may not be utilized by the taxpayer.

(f) Examples:

(1) Retail selling price of inventory on the assessment date:

The retail sales value of inventory at the end of the federal tax year	\$37,200
Addition (purchases) to March 1 at retail	<u>19,973</u>
Total	\$57,173
Subtraction to March 1: Sales	(32,000)
Net markdowns realized	<u>(400)</u>
Inventory at retail on assessment date	<u><u>\$24,773</u></u>

(2) Cost of goods available for sale (based on federal tax return of the immediately preceding tax year):

Beginning inventory at cost	\$14,000
	0
Purchases at cost:	<u>63,000</u>
Cost of goods available for sale	<u><u>\$77,000</u></u>

(3) Retail value of goods available for sale (based on federal tax return of immediately preceding tax year):

Beginning inventory at retail	\$20,000
Purchases at retail	<u>90,000</u>
Total	110,000
Net markups (\$4,000-\$3,000)	<u>1,000</u>
Retail value of goods available for sale	<u><u>\$111,000</u></u>

(4) Cost ratio: \$77,000 divided by \$111,000 = 69.37%

(5) Inventory on the assessment date at lower of cost or market:

Retail selling price of inventory on assessment date (subdivision (1))	\$24,773
Cost ratio (subdivision (4))	<u>69.37%</u>
Inventory at the lower of cost or market	<u><u>\$17,185</u></u>

(g) Adjustment. If the provisions of this section are utilized to value retail inventory, an adjustment to book cost is required to be made pursuant to section 12 of this rule. (*State Board of Tax Commissioners; 50 IAC 4.2-5-11; filed Dec 7, 1988, 9:35 a.m.; 12 IR 855, eff Mar 1, 1989*)

50 IAC 4.2-5-12 "Gross value of inventory subject to taxation before valuation adjustments" defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 12. The gross value of inventory before the valuation adjustment is the cost per books of the inventory, as defined in sections 3 and 5 of this rule, increased or reduced as follows:

- (1) The adjustments required to be made pursuant to section 4 (mandatory adjustments) of this rule.
- (2) The value of the unrecorded inventory as determined in sections 6 and 8 of this rule.
- (3) Reductions for the exempt inventory as provided in 50 IAC 4.2-12-1 through 50 IAC 4.2-12-8.
- (4) The adjustments, if any, required as a result of the election of the average inventory method as provided in sections 9 through 10 of this rule.
- (5) The adjustments, if any, resulting from the use of the retail method of valuing inventory as provided in section 11 of this rule.

(State Board of Tax Commissioners; 50 IAC 4.2-5-12; filed Dec 7, 1988, 9:35 a.m.: 12 IR 856, eff Mar 1, 1989)

50 IAC 4.2-5-13 Valuation adjustment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 13. Thirty-five percent (35%) of the adjusted cost of inventory as determined pursuant to section 12 of this rule, shall be allowable as a valuation adjustment for Indiana property tax purposes. This adjustment is in lieu of all other valuation adjustments except for the abnormal obsolescence adjustment provided in section 14 of this rule. The amount of this adjustment constitutes an inventory valuation reserve to provide for the normal valuation aspects provided by statute. The prices for farm products prescribed by the state board pursuant to 50 IAC 4.2-7-1, are computed using the alternative method (section 7 *[of this rule]*), therefore, the thirty-five percent (35%) valuation adjustment will not be allowed for those items. *(State Board of Tax Commissioners; 50 IAC 4.2-5-13; filed Dec 7, 1988, 9:35 a.m.: 12 IR 856, eff Mar 1, 1989)*

50 IAC 4.2-5-14 Abnormal obsolescence adjustment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 14. (a) A taxpayer may claim an adjustment for abnormal obsolescence as defined in 50 IAC 4.2-9-3, on inventory, provided that such inventory meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 4.2-9-3.

(b) Limitation. No adjustment will be allowed for normal obsolescence as defined in 50 IAC 4.2-9-2. The valuation reserve pursuant to section 13 of this rule automatically takes into consideration this type of obsolescence. In general, the rules affecting abnormal obsolescence are defined in 50 IAC 4.2-9-3(a). However, the rules affecting abnormal obsolescence on inventory are more restrictive due to the fact that there are other provisions in this article which address changes in market conditions and/or excess inventory.

Unforeseen changes in market values may result from changes in fashions, styles, demand for the product, or government action. Changes in market values should be recognized under sections 3 through 8 of this rule to the extent that it can be demonstrated as of the assessment date that the taxpayer uses the lower of cost or market method of valuing inventory for book accounting purposes. Also, a taxpayer reporting its

inventory using the retail method provided in section 11 of this rule will not be entitled to an adjustment for abnormal obsolescence since net markdowns are reflected in the reported values. A taxpayer with excess inventory as of the assessment date may utilize the calendar year average inventory election provided in sections 9 through 10 of this rule.

(c) Eligibility. The adjustment requested for abnormal obsolescence, as herein defined, will be allowed providing a taxpayer can substantiate that they have incurred abnormal obsolescence which has not as of the assessment date been recorded on their regular books and records. The term "abnormal obsolescence" will be strictly construed and be limited to a situation where unforeseen changes in values as a result of exceptional technological obsolescence or destruction by catastrophe occur, providing that such events have a direct effect on the value of the inventory of the taxpayer at the tax situs in question on a going concern basis.

(d) Adjustment. The dollar amount of the adjustment pursuant to this section will be based upon the adjusted book cost of such inventory, determined pursuant to section 12 of this rule, less the scrap or realizable value of the obsolete inventory. Sixty-five percent (65%) of such amount will be allowable as an adjustment for abnormal obsolescence in inventory.

EXAMPLE 1

The total cost per books of a taxpayer's inventory is two hundred fifty thousand dollars (\$250,000). Included in this total is inventory with a cost of one hundred thousand dollars (\$100,000) which qualifies for an adjustment for abnormal obsolescence, and the taxpayer is able to demonstrate that the net realizable value of said items as of the assessment date is fifty thousand dollars (\$50,000). The taxpayer should compute the abnormal obsolescence adjustment as follows:

Reported book value of items		
qualifying for		
abnormal obsolescence	\$100,000	
adjustment		
Less: scrap value of these	- 50,000	
items		
Difference		\$50,000
Adjustment factor	x 65%	
Allowable adjustment for		\$32,500
abnormal obsolescence		

EXAMPLE 2

Using the same facts as above, Schedule B of Form 103 would be completed as follows:

Line		
24	Total inventory before special adjustments	\$250,000
	Special adjustments:	
25	Valuation adjustment @ 35%	\$87,500
26	Abnormal obsolescence	+ 32,500
27	Total special adjustments	- 120,000
28	Total true tax value of inventory	\$130,000

(State Board of Tax Commissioners; 50 IAC 4.2-5-14; filed Dec 7, 1988, 9:35 a.m.: 12 IR 856, eff Mar 1, 1989)

50 IAC 4.2-5-15 Determination of true tax value of inventory

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 15. The true tax value of inventory is determined by subtracting from the adjusted value of inventory, as determined in section 12 of this rule, the valuation reserve computed in accordance with section 13 of this rule, and an adjustment for abnormal obsolescence, if any exists, and can be substantiated pursuant to section 14 of this section. (*State Board of Tax Commissioners; 50 IAC 4.2-5-15; filed Dec 7, 1988, 9:35 a.m.: 12 IR 857, eff Mar 1, 1989*)

Rule 6. Valuation of Other Tangible Personal Property

50 IAC 4.2-6-1 Tangible personal property not placed in service; reporting

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 1. (a) Tangible personal property, other than inventory as defined in 50 IAC 4.2-5-1, with a tax situs within the state on the assessment date, which has not been placed into service, must be reported for property assessment purposes.

(b) "Tangible personal property not placed in service on the assessment date" means all property, which has not been depreciated and is not eligible for federal income tax depreciation under Section 167 of the Internal Revenue Code of 1986. Real property as defined by law and rules of the state board, inventory, special tools, leased property, returnable containers, and property described in subsection (d) are not included in this category.

(c) "Construction in process" means "tangible personal property not placed in service." This does not include the inventory of a contractor that is not a part of the real or personal property under construction. A contractor's inventory must be valued and reported as provided in 50 IAC 4.2-5-1.

(d) Special. Tangible personal property, normally assessed as inventory and held in abeyance or stored temporarily, and which possession may be transferred to another person to be attached to or become a part of an asset subject to assessment for personal property tax purposes, is taxable as inventory as provided in 50 IAC 4.2-5-1, and is not included in the definition of tangible personal property not placed in service.

(e) Valuation. The value of personal property not placed in service, including construction in process as defined in subsection (c), is the cost recorded on the taxpayer's books and records which is attributable to such personal property including all expenses incurred in acquiring or producing the assets not yet placed in service.

(1) Acquisitions. In the event the cost as recorded on the regular books and records of the taxpayer does not reflect acquisitions and transfers since the end of the financial period immediately preceding the assessment date, such acquisitions and transfers are required to be included.

(2) Advance payments or deposits. If the cost as recorded on the regular books and records of the taxpayer reflects advance payments or deposits, and if such amounts were attributable to tangible personal property, this amount shall be allowed as a deduction from book cost.

(f) True tax value. The true tax value of "tangible personal property not placed in service" as defined in subsection (b), is ten percent (10%) of the cost of such property. (*State Board of Tax Commissioners; 50 IAC 4.2-6-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 857, eff Mar 1, 1989*)

50 IAC 4.2-6-2 Reporting of special tools

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 2. (a) “Special tools”, as defined in subsection (b), must be reported for Indiana property assessment purposes at the tax situs where located on the assessment date. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return pursuant to 50 IAC 2-2 [50 IAC 2 was repealed filed Dec 13, 1989, 5:00 p.m.: 13 IR 864; errata filed Feb 19, 1990, 3:35 p.m.: 13 IR 1187.].

(b) “Special tools” includes, but is not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns acquired or made for the production of products or product models which are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Those items of “special tools” being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 4.2-5.

(c) Reporting special tools. Special tools are assessable whether the taxpayer elects to depreciate, amortize, treat as deferred cost, or expense at time of purchase or manufacture, and recovers cost through an increased unit price or any other method utilized in recapturing the costs. The owner is required to report special tools on Form 103-T (50 IAC 4.2-2-9), as an attachment to Form 103 (50 IAC 4.2-2-9). In addition to the requirement above, the owner is required to furnish a complete listing on Form 103-T (50 IAC 4.2-2-9) of all their special tools in the possession of another person(s) pursuant to 50 IAC 4.2-2-5. The person(s) holding, possessing, or controlling special tools, not owned, is required to furnish a complete listing on Form 103-T (50 IAC 4.2-2-9), of all not owned personal property pursuant to 50 IAC 4.2-2-5.

(d) Valuation of special tools. The total value of special tools, as defined in subsection (b), must be allocated in two (2) groups. The total value of special tools acquired between March 2 of the prior year and March 1 of the assessment year must be allocated in one (1) group, and the balance of the total value of the special tools on hand which were acquired prior to this period must be allocated into the other group. For purposes of this section, expenditures incurred by a taxpayer to refurbish existing special tools are deemed to be special tools acquired during the period in which such special tools were refurbished.

(1) Special tools owned by taxpayer. The total cost of producing or acquiring special tools regardless of the nature, whether capitalized or expensed, must be reported on Form 103-T (50 IAC 4.2-2-9), and attached to Form 103 (50 IAC 4.2-2-9).

(2) Special tools not owned by taxpayer. The total value of special tools not owned by the taxpayer must be based on the original cost to the owner of such special tools, if available. If the original cost to the owner is not available, the value shall be based upon the best information available; however, the true tax value of the special tools not owned by the taxpayer cannot be less than the insured value of such property. Special tools not owned must be reported on Form 103-T (50 IAC 4.2-2-9), and attached to Form 103 (50 IAC 4.2-2-9).

(e) True tax value of special tools. The total true tax value of special tools is the sum of thirty percent (30%) of the total valuation of “special tools” acquired between March 2 of the prior year and March 1 of the current assessment year which are on hand on the assessment date and three percent (3%) of the total valuation of all other special tools on hand. (*State Board of Tax Commissioners; 50 IAC 4.2-6-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 858, eff Mar 1, 1989*)

50 IAC 4.2-6-3 Improvement to leased real or personal property

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 3. (a) Whenever a taxpayer makes any expenditure for an improvement to real or personal property not owned by such taxpayer, such expenditure shall be assessable as personal property to the extent it is not real property as defined in 50 IAC 4.2-1-1(h).

(b) Examples of leasehold improvements, which are personal property:

(1) Improvements to personal property. Leasehold improvements to personal property as defined in 50 IAC 4.2-1-1(h), are personal property. Leasehold improvements will include, but not be limited to, foundations and pilings related to the installation and use of personal property.

(2) Improvements to real property. Improvements to real property that are personal property include, but are not limited to, personal property attached to the real property to the extent such items are related to activities or processes conducted in the building if the personal property is an integral part of such activity. For example, improvements to real property would include shelving, bins, counters, and related items; non-permanent partitions; supplemental heating and air conditioning; extraordinary lighting; electrical and plumbing facilities; carpeting and draperies.

(c) Reporting. The taxpayer must report and value the property for personal property assessment purposes and in the same manner as any other depreciable personal property which they may own in accordance with provisions of 50 IAC 4.2-4. (*State Board of Tax Commissioners; 50 IAC 4.2-6-3; filed Dec 7, 1988, 9:35 a.m.; 12 IR 859, eff Mar 1, 1989*)

50 IAC 4.2-6-4 Returnable containers; reporting

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 4. (a) Returnable containers, as defined in subsection (b), must be reported for property assessment purposes at the tax situs where located on the assessment date by the taxpayer owning the returnable containers. In addition to the filing requirement above, the owner is required to furnish a complete listing, on Form 103-O (50 IAC 4.2-2-9), of all their personal property which is in possession of another person(s) pursuant to 50 IAC 4.2-2-5. The person(s) holding, possessing, or controlling returnable containers, not owned, is required to furnish a complete listing on Form 103-N (50 IAC 4.2-2-9), of all not owned personal property pursuant to 50 IAC 4.2-2-5.

(b) "Returnable containers" means those items of tangible personal property, which are used to package inventory or other property while in transit which are reusable. Returnable containers include, but are not limited to, cooperage, skids, bottles, cases, and other packaging devices.

(c) Valuation. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation pursuant to 50 IAC 4.2-2-5. The value of returnable containers is computed by extending the quantity of such property on hand by:

(1) the amount of deposit required for such item;

(2) the refund entitled thereto when such returnable containers are returned to the owner;

(3) the sales price of the returnable property; or

(4) the cost of such returnable containers in the hands of the owner since the owner is liable to assessment.

The resultant cost must then be valued pursuant to 50 IAC 4.2-4-5 through 50 IAC 4.2-4-7, in the same manner

as any other depreciable personal property. (*State Board of Tax Commissioners; 50 IAC 4.2-6-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 859, eff Mar 1, 1989*)

50 IAC 4.2-6-5 Duties of assessing officials

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4

Sec. 5. The assessor, county board of review, or the state board shall assess personal property in the name of the owner of the property in the taxing district where the property is situated as of the assessment date to the extent that the owner of said property is identified. However, if as of the filing date (May 15 with extension) the owner of the property as of the assessment date is unknown by the assessor, said property shall be assessed to the person in possession of such property. The complete reporting requirements for property not in the owner's possession are contained in 50 IAC 4.2-2-5. (*State Board of Tax Commissioners; 50 IAC 4.2-6-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989*)

Rule 7. Other

50 IAC 4.2-7-1 Lists of readily ascertainable values

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 1. (a) In the case of certain types of personal property which it determines has a readily ascertainable value, the state board may determine the true tax value of such property and so designate in 50 IAC 4.2-15 or issue instructional bulletins for the unit valuations of such property to be used for personal property tax purposes.

(b) The unit valuations will be published pursuant to 50 IAC 4.2-1-5. However, in providing for the classification of personal property and included in the factors used to determine the true tax value of personal property the state tax board shall not include the value of land as a cost of producing tangible personal property subject to assessment.

(c) The types of personal property to be valued pursuant to this section will be so designated in 50 IAC 4.2-15, or an instructional bulletin. For example, the valuation pursuant to this section will include, but not necessarily be limited to, agricultural commodities, certain livestock, certain types of petroleum products, recreational vehicles, used vehicle inventory, used farm implement inventory, and any other tangible personal property which the state board determines has a readily ascertainable value. (*State Board of Tax Commissioners; 50 IAC 4.2-7-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989*)

50 IAC 4.2-7-2 Uniform useful lives of assets; publication

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 2. The state board may prescribe and publish the useful life of assets if it determines that a uniform life should be required for all taxpayers in order to obtain equalization of assessments as provided in 50 IAC 4.2-4-5 through 50 IAC 4.2-4-6. (*State Board of Tax Commissioners; 50 IAC 4.2-7-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989*)

Rule 8. Valuation of Leased Personal Property

50 IAC 4.2-8-1 "Leased personal property" defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 1. In general, leased personal property includes those units of tangible personal property, as defined in 50 IAC 4.2-1-1(h), excluding inventory, as defined in 50 IAC 4.2-5-1, special tools, as defined in 50 IAC 4.2-6-2, and returnable containers, as defined in 50 IAC 4.2-6-4, which are leased, rented, or otherwise made available to a person other than the owner under a bailment agreement, written or unwritten, on the assessment date. Leased personal property includes, but is not limited to, business machines, postage meters, machinery, equipment, furniture, fixtures, coin-operated devices, tools, burglar alarms, signs and other advertising devices, and motor vehicles to the extent taxable as personal property which are loaned, leased, used, or otherwise held in the possession of a person other than the owner on the assessment date whether or not any fees are charged. (*State Board of Tax Commissioners; 50 IAC 4.2-8-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989*)

50 IAC 4.2-8-2 "Capital and operating leases" defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 2. (a) Types of leases. Generally, agreements which convey the right to use property for a stated period of time are termed leases and are usually classified as either capital leases or operating leases.

(b) "Capital leases" includes sales-type leases, direct financing leases, and leveraged leases. These leases must meet one (1) or more of the following conditions to be so classified and are or should be capitalized by the lessee for federal income tax purposes:

(1) Ownership of the property is transferred to the lessee at or before the end of the lease term.

(2) The lease permits the lessee to purchase the property or renew the lease at a price or rental, which is substantially less than the estimated market value, or fair rental of the leased property at the time the option to purchase or renew the lease is exercised.

(3) The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property.

(4) The present value of the minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property at the inception of the lease.

(c) "Operating leases" includes all other leases. (*State Board of Tax Commissioners; 50 IAC 4.2-8-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989*)

50 IAC 4.2-8-3 Operating leases

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-31

Sec. 3. (a) Operating leases must be reported for assessment and taxation by the owner (lessor) of the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date.

(b) In addition to the filing requirement stated above, the owner is required to furnish a complete listing, on Form 103-O (50 IAC 4.2-2-9), of all their personal property which was the subject of an operating lease on the assessment date in each taxing district where the property is located showing the name and address of the person(s) in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation.

(c) The person holding, possessing, or controlling (lessee) tangible personal property subject to the conditions of an operating lease shall file and attach with their return in the taxing district where such property was situated a complete listing, on Form 103-N (50 IAC 4.2-2-9), of all not owned (leased) personal property. The listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value (if known) per this article. (*State Board of Tax Commissioners; 50 IAC 4.2-8-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989*)

50 IAC 4.2-8-4 Capital leases

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-31

Sec. 4. (a) Capital leases must be reported for assessment and taxation by the person holding, possessing, or controlling (lessee) the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date. The value of the property must be computed in accordance with sections 7 through 9 of this rule, rather than 50 IAC 4.2-4.

(b) In addition to the filing requirement stated above, the lessee is required to furnish a complete listing, of all not owned personal property, on Form 103-N (50 IAC 4.2-2-9), in each taxing district where the property was situated. This listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value per this article.

(c) The owner of personal property which is termed capital leases above must file a complete listing, showing the name and address of the person(s) in possession, model, description, location, quantities, date of installation, and value per this article, on Form 103-O (50 IAC 4.2-2-9), in each taxing district where the property was situated as of the assessment date. (*State Board of Tax Commissioners; 50 IAC 4.2-8-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989*)

50 IAC 4.2-8-5 Liability for taxes

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-31

Sec. 5. (a) The owner (lessor) of personal property covered by operating leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was situated on the assessment date. This section does not relieve the person holding, possessing, or controlling personal property covered by operating leases of the responsibility to file a complete listing, on Form 103-N (50 IAC 4.2-2-9), of not owned personal property and the responsibility to pay such taxes if they are not paid by the owner of the property as provided in 50 IAC 4.2-2-2.

(b) The person holding, possessing, or controlling (lessee) personal property covered by capital leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was situated on the assessment date. This section does not relieve the owner (lessor) of the responsibility to file a complete listing, on Form 103-O (50 IAC 4.2-2-9), in the taxing district where the

property was situated on the assessment date of all owned personal property which was in the possession of another person nor does it relieve the owner of the tax liability if not paid by the lessee. (*State Board of Tax Commissioners; 50 IAC 4.2-8-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989*)

50 IAC 4.2-8-6 Assessment of leased personal property

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2-4

Sec. 6. The assessor, county board of review, or the state board shall assess leased or rented personal property in the manner described in sections 3 through 5 of this rule, in the taxing district where the property is situated as of the assessment date. (*State Board of Tax Commissioners; 50 IAC 4.2-8-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989*)

50 IAC 4.2-8-7 Valuation; base year value defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 7. (a) The base year value of the leased or rented property plus freight and installation costs must be utilized in determining the value of leased or rented property subject to assessment.

(b) "Base year value" means the amount, measured in money, that a willing buyer in an arm's length transaction would pay to acquire the item of tangible personal property subject to the lease under consideration at the time the lease or bailment was first consummated. For purposes of applying this definition to a specific factual situation, the amount stated in the agreement as the amount which the lessee would have had to pay to acquire the leased property instead of leasing the property will be deemed to be the base year value, provided that the state board does not determine that such amount is unrealistically low in relation to the other terms contained in the agreement.

(c) If an alternative acquisition cost is not shown in the lease agreement, the base year value will be the factory delivered price for the tangible personal property subject to the lease plus freight, installation costs, and a profit factor.

(d) If the factory delivered price cannot be determined, the base year value will be the present value of the lease payments at the inception of the lease computed in accordance with 50 IAC 4.2-15-14.

(e) If the present value of the lease payments cannot be determined, the following alternative factors will be used to determine the base year value:

(1) the insurable value in the year the lease was first consummated; or

(2) the capitalized value at eight (8) times the annual lease or rental payments.

(f) If the state board issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to 50 IAC 4.2-7-1, such prescribed value shall be the base year value of the property. (*State Board of Tax Commissioners; 50 IAC 4.2-8-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989*)

50 IAC 4.2-8-8 Pools for base year values; summation by year placed in service

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 8. (a) The base year value of all leased personal property being reported in a tax return is required to be segregated for Indiana property tax purposes into four (4) separate pools. The determination of the proper classification of the pool in which leased property should be included is to be based upon the useful life of property determined in accordance with the ADR regulation guideline life published by the Internal Revenue Service in Regulation 1.167(a)-11. The pools to be utilized for Indiana property tax purposes are:

- (1) Pool No. 1: One (1) through four (4) year life.
- (2) Pool No. 2: Five (5) through eight (8) year life.
- (3) Pool No. 3: Nine (9) through twelve (12) year life.
- (4) Pool No. 4: Thirteen (13) year or longer life.

(b) Summation of base year value by pool by the year the leased personal property is placed in service. After the appropriate pool is determined for each unit of leased property, the base year values must be summarized by the year during which the leased property is placed into service. (*State Board of Tax Commissioners; 50 IAC 4.2-8-8; filed Dec 7, 1988, 9:35 a.m.; 12 IR 862, eff Mar 1, 1989*)

50 IAC 4.2-8-9 Determination of true tax value

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 9. (a) Computation. The true tax value of leased personal property for Indiana property tax purposes is computed by multiplying the base year values of leased personal property in the respective pool by the percentage factor obtained in subsection (b). The percentage factor in the table automatically reflects all adjustments, except for abnormal obsolescence, as provided in section 10 of this rule.

(b) Table to compute true tax value of leased personal property. The following table provides for each of the four (4) pools, the percentage factors of which, when applied to base year value, compute true tax value. The sum of the true tax values in each of the four (4) pools is the true tax value of the leased personal property at the tax situs in question.

TABLE TO DETERMINE TRUE TAX VALUE
FOR LEASED PERSONAL PROPERTY BY
PERCENTAGE OF BASE YEAR VALUE

Year Leased Property is Placed In Service	Pool #1 (1-4 yrs)	Pool #2 (5-8 yrs)	Pool #3 (9-12 yrs)	Pool #4 (13 yrs and longer)
1	65%	40%	40%	40%
2	50%	56%	60%	60%
3	35%	42%	55%	63%
4	20%	32%	45%	54%
5		24%	37%	46%
6		18%	30%	40%
7		15%	25%	34%
8			20%	29%
9			16%	25%

10	12%	21%
11	10%	15%
12		10%
13		5%

(c) Limitation of the total valuation of a taxpayer's depreciable personal property.

(1) General limitation. Notwithstanding the foregoing provisions of this rule, the total valuation of a taxpayer's assessable depreciable personal property in a single taxing district cannot be less than thirty percent (30%) of the adjusted cost of all such property of the taxpayer.

(2) Exception. This limitation shall be applied prior to any special adjustment for abnormal obsolescence as provided in section 10 of this rule. This limitation does not apply to equipment not placed in service, special tooling, and permanently retired equipment.

(State Board of Tax Commissioners; 50 IAC 4.2-8-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989)

50 IAC 4.2-8-10 Abnormal obsolescence adjustment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 10. (a) The tentative true tax value computed in section 9 of this rule should be adjusted for abnormal obsolescence to the extent that the property meets the qualifications as set forth in 50 IAC 4.2-9-3.

(b) Adjustment. For the purposes of this section, abnormal obsolescence will be determined in accordance with the provisions of 50 IAC 4.2-9-3. Providing a taxpayer has abnormal obsolescence, as defined in 50 IAC 4.2-9-3, they may claim an adjustment for abnormal obsolescence for leased personal property at the tax situs in question subject to the requirements, conditions, and provisions of 50 IAC 4.2-9-3. In no event shall any adjustment for abnormal obsolescence exceed the true tax value of the specific unit or units of property involved.

(c) Limitation. No adjustment will be allowed for normal obsolescence, as defined in 50 IAC 4.2-9-2. The table contained in section 9 of this rule automatically reflects this type of obsolescence. *(State Board of Tax Commissioners; 50 IAC 4.2-8-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989)*

Rule 9. Obsolescence

50 IAC 4.2-9-1 "Obsolescence" defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 1. "Obsolescence" means the reduction in value of business personal property that occurs through use, technological improvements, passage of time, changes in market values, and physical deterioration or destruction. *(State Board of Tax Commissioners; 50 IAC 4.2-9-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989)*

50 IAC 4.2-9-2 "Normal obsolescence" defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 2. “Normal obsolescence” means the anticipated or expected reduction in the value of business personal property that can be foreseen by a reasonable, prudent businessman when property is acquired and placed into service. In general, it includes the expected, declining value through use, gradual decline in value because of expected technological improvements, the gradual deterioration or obsolescence through the mere passage of time, and the general assumption that such property will have a minimum value at the end of its useful life. (*State Board of Tax Commissioners; 50 IAC 4.2-9-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989*)

50 IAC 4.2-9-3 “Abnormal obsolescence” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 3. (a) “Abnormal obsolescence” means as [*sic.*] that obsolescence which occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessman prior to the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe that has a direct effect upon the value of the personal property of the taxpayer at the tax situs in question on a going concern basis.

(b) Example of unforeseen change in market value: A government ban on the sale of a drug or chemical due to a new discovery or determination may cause that item or the production equipment used to produce it to be abnormally obsolete. A specific example of this would be cyclamate. In this case the equipment used to produce it may be eligible for abnormal obsolescence, while the inventory (cyclamate) should be valued at the lower of cost or market as provided in 50 IAC 4.2-5-3 through 50 IAC 4.2-5-8.

(c) Example of exceptional technological obsolescence: Abnormal obsolescence due to exceptional technological obsolescence should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaption to a different use. The invention of a newer, more productive piece of equipment which would produce a better quality item or utilization of state of the art technology that produces more efficiently at a lower cost of production does not cause an older, currently used asset to be considered abnormally obsolete. If the asset is still capable of performing the function for which it was acquired, and is producing both on and before the assessment date, no adjustment shall be allowed. The use of historical cost, short useful life, and accelerated depreciation in developing the prescribed true tax value percentages result in an equitable assessment on the property in question.

(d) Example of destruction by catastrophe: Abnormal obsolescence due to catastrophe should be recognized to the extent that it has a direct effect on the value of a particular item. Property which has been destroyed or damaged by catastrophe as of the assessment date would qualify for such an adjustment. A chemical or production process which, due to an irreparable malfunction, emits a toxic gas or deadly chemical into the outside atmosphere, would qualify for such an adjustment to the extent the property is incapable of use.

(e) Example of abnormal obsolescence due to government action: A government order to shut down certain production equipment due to improper emission levels may result in abnormal obsolescence if the cost to cure the delinquent equipment results in incurable obsolescence, i.e., the cost-to-cure exceeds the contribution or increase in value of the impaired item or the impairment cannot be corrected. (*State Board of Tax Commissioners; 50 IAC 4.2-9-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989*)

50 IAC 4.2-9-4 Allowance of obsolescence claim

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the property qualifies for the adjustment and the taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.

(b) A taxpayer wishing to claim an adjustment for abnormal obsolescence must provide documentation of the resulting valuation of the personal property at the tax situs in question on the assessment date on a going concern basis.

(c) The adjustment for abnormal obsolescence must be computed in accordance with this rule, and 50 IAC 4.2-4-8, 50 IAC 4.2-5-14, 50 IAC 4.2-8-10, or 50 IAC 4.2-10-4. (*State Board of Tax Commissioners; 50 IAC 4.2-9-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989*)

50 IAC 4.2-9-5 Full disclosure

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 5. When the reporting requirements for an adjustment for abnormal obsolescence have been met (a full disclosure), but for some reason the adjustment is not allowed or the value is changed, the amount disallowed is considered to be an interpretive difference and is not subject to the undervalued personal property tax penalty as set forth in 50 IAC 4.2-2-10(d). (*State Board of Tax Commissioners; 50 IAC 4.2-9-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989*)

50 IAC 4.2-9-6 Adjustment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 6. No adjustment will be allowable for normal obsolescence. The methods of valuation of business tangible personal property automatically reflect this type of obsolescence by providing a thirty-five percent (35%) valuation adjustment on inventory and the use of historic cost, short depreciable life, and accelerated depreciation on depreciable assets. An adjustment for abnormal obsolescence will be allowed provided a taxpayer can substantiate abnormal obsolescence. The provisions of this part of the regulation and the specific portions of this regulation applicable to the class of property involved must be followed and the books and records of the taxpayer must not have reflected the abnormal obsolescence on the assessment date. (*State Board of Tax Commissioners; 50 IAC 4.2-9-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989*)

50 IAC 4.2-9-7 Administrative adjudication on adjustment for abnormal obsolescence

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 7. (a) The taxpayer may, prior to the filing of the property tax return for the year in question, petition the state board pursuant to 50 IAC 4.2-1-6, for an administrative adjudication determination regarding

an abnormal obsolescence adjustment. If this determination is granted, it will be effective only for the tax year in question and will not be effective for subsequent assessments.

(b) Reporting on return. If an administrative adjudication determination is obtained, a copy of the determination is required to be attached to the tax return claiming the adjustment. If the taxpayer has not requested an administrative adjudication determination, they may, providing their circumstances meet the requirements contained herein, request an adjustment on the form prescribed by the state board when filing the tax return for the year in question. The adjustment(s), if requested, must:

- (1) identify specifically all property for which an adjustment is requested;
- (2) indicate the original cost of the property;
- (3) indicate the true tax value of the property if no adjustment would be allowed; and
- (4) indicate the true tax value of the property as a result of the requested adjustment.

(State Board of Tax Commissioners; 50 IAC 4.2-9-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989)

Rule 10. Interstate Carriers

50 IAC 4.2-10-1 Valuation of carriers' property

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11

Sec. 1. In general, commercial airlines and interstate motor truck carriers, as herein defined, are required to compute the true tax value of aircraft and transportation equipment required to be reported for the Indiana personal property assessment purposes in accordance with the provisions of 50 IAC 4.2-4. However, if such property is leased, the tentative true tax value is required to be computed in accordance with 50 IAC 4.2-8. The tentative true tax value thus computed is then subject to allocation as provided herein. *(State Board of Tax Commissioners; 50 IAC 4.2-10-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989)*

50 IAC 4.2-10-2 Commercial airlines; allocation and tax value of aircraft

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31; IC 6-6-6.5

Sec. 2. (a) In general, commercial airlines are required to value the aircraft required to be reported for Indiana property tax purposes pursuant to section 1 of this rule.

(b) "Commercial airlines" means an airline with regularly scheduled flights and routes authorized and approved by the federal aeronautics administration.

(c) Aircraft property required to be reported. In general, commercial airlines are required to report the total value of the fleet of aircraft operating in this state. For this purpose the commercial airline is required to report the value of all aircraft, which it owns or operates of the type of aircraft operating in the taxing district. For example, if the airline owns or operates twenty (20) aircraft of type "x", ten (10) aircraft of type "y", and five (5) aircraft of type "z" and only type "x" aircraft are operated in the taxing district, the commercial airline is required to determine the tentative true tax value of all type "x" aircraft in its fleet of aircraft as provided in section 1 of this rule, and report the value of all type "x" aircraft on its personal property tax return.

(d) Allocation. The value of the aircraft required to be reported for Indiana property tax purposes is subject to allocation. This allocation must be made for each type of aircraft operated. The allocation factor for each type of aircraft is computed by dividing the total ground time of each type of aircraft for the preceding

twelve (12) months in the taxing district by the total ground time of each type of aircraft operated in the system. In the example provided in subsection (c) the type “x” aircraft would be subject to allocation. The allocation is determined by computing a percentage obtained by dividing the total ground time for the preceding twelve (12) months of all type “x” aircraft in the taxing district by the total ground time for the preceding twelve (12) months of all type “x” aircraft in the fleet.

(e) True tax value. The true tax value of the aircraft is determined by multiplying the percentages as computed in subsection (d) times the tentative true tax value of the aircraft computed in accordance with section 1 of this rule. For example, assume that the type “x” aircraft provided in the example in subsection (c) had a tentative true tax value of twenty million dollars (\$20,000,000). Furthermore, assume that the percentage determined in subsection (d) was five percent (5%). The true tax value of the aircraft for Indiana property tax purposes would be one million dollars (\$1,000,000).

EXAMPLE

ABC Airline (a commercial airline) owns or operates twenty type “X” aircraft, ten (10) type “Y”, and five (5) type “Z”. Only type “X” aircraft are operated in the taxing district for which the return is prepared. ABC is required to report the true tax value of the twenty (20) type “X” aircraft.

The total ground time in the taxing district during the twelve (12) months preceding the assessment date for all of ABC's type “X” aircraft was thirty-six thousand (36,000) minutes. The total ground time during the same period for all type “X” aircraft in ABC's fleet was seven hundred and twenty thousand (720,000) minutes. The allocation factor is five percent (5%) (36,000/720,000).

The tentative true tax value per section 1 of this rule, of the twenty (20) type “X” aircraft operated by ABC is twenty million dollars (\$20,000,000).

The true tax value to be reported by ABC in this taxing district of the twenty (20) type “X” aircraft is one million dollars (\$1,000,000) ($\$20,000,000 \times 5\%$).

(State Board of Tax Commissioners; 50 IAC 4.2-10-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989)

50 IAC 4.2-10-3 Reporting by interstate motor truck carriers; allocation factor; true tax value

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-31

Sec. 3. (a) In general, the fleet of trucks, trailers, or other related vehicular equipment which is subject to assessment under this section is the interstate fleet that a taxpayer owns, holds, possesses, or controls and that are *[sic.]* used and operated in interstate commerce.

(b) Personal property required to be reported under this rule. The fleet of trucks, trailers, or other related vehicular equipment used or operated in interstate commerce and subject to assessment by this rule is required to be valued pursuant to section 1 of this rule, and reported on the property tax return, Form 103 (50 IAC 4.2-2-9), filed by the taxpayer. Any depreciable property not used in interstate commerce must be valued pursuant to other parts of this article.

(c) The owner of any business personal property subject to assessment and taxation under this section on the assessment date has the responsibility for reporting such property for assessment and taxation on their business personal property tax return, Form 103 (50 IAC 4.2-2-9), in the taxing district where the property had a tax situs on the assessment date. The owner of business personal property who transfers possession to another person, shall also furnish a complete informational listing on Form 103-O (50 IAC 4.2-2-9), pursuant to 50 IAC 4.2-2-4. Form 103-O (50 IAC 4.2-2-9), must show the name and address of the person in possession, model,

description, location, quantities, and value of such property, and shall be attached to the business personal property return, Form 103 (50 IAC 4.2-2-9).

(d) Any interstate carrier holding, possessing, or controlling trucks, trailers, or other related vehicular equipment, subject to assessment and taxation under this section on the assessment date, is required to furnish an informational listing on Form 103-N (50 IAC 4.2-2-9), of all not owned property pursuant to 50 IAC 4.2-2-4. Form 103-N (50 IAC 4.2-2-9), must be filed in the taxing district where the property had a tax situs, and must show the names and addresses of the lessors and a description of the property.

(e) Persons who own trucks, trailers, or other related vehicular equipment, which are used for the purpose of leasing to interstate motor truck carriers, may value the equipment pursuant to section 1 of this rule, provided the equipment is actually used and operated in interstate commerce. If the equipment is not used and operated in interstate commerce, it must be valued pursuant to other parts of this article.

(f) Allocation factor. The allocation factor to determine the portion of the fleet assessable for Indiana property tax purposes is to be determined by dividing the total Indiana miles of the fleet required to be reported in subsection (b), by the total miles of such fleet traveled throughout the entire system.

(g) As an alternative to maintaining a mileage log of all trips, individual lessors, who qualify under subsection (e), and who do not maintain adequate records to compute their allocation factor, may use the same allocation factor as their lessee provided that the lessor's property is predominantly leased to that lessee. The lessor must meet the predominate use requirement in order to use the lessee's allocation factor. If the lessor does not meet the predominate use requirement, the lessor must use the actual allocation factor as determined in subsection (f).

As used in this section, "predominate use" means:

(1) during the course of the year, more than fifty percent (50%) of the total mileage logged by the lessor is under lease to that lessee; or

(2) during the course of the year, the leased property is leased to that lessee for more than one-half ($\frac{1}{2}$) the number of days in that year.

(h) True tax value. The true tax value of the fleet of trucks, trailers, or other related vehicular equipment subject to assessment under this section is determined by multiplying the tentative true tax value as determined in section 1 of this rule, by the allocation factor determined in subsections (f) through (g). (*State Board of Tax Commissioners; 50 IAC 4.2-10-3; filed Dec 7, 1988, 9:35 a.m.; 12 IR 866, eff Mar 1, 1989*)

50 IAC 4.2-10-4 Abnormal obsolescence adjustment for commercial airlines and interstate motor truck carriers

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31-7

Sec. 4. (a) Commercial airlines and interstate motor truck carriers may claim an adjustment for abnormal obsolescence, as defined in 50 IAC 4.2-9-3, on the tangible personal property reported pursuant to this section, provided that the taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 4.2-9.

(b) Limitation. No adjustment will be allowed for normal obsolescence as defined in 50 IAC 4.2-9. The determination of the tentative true tax value pursuant to 50 IAC 4.2-4, automatically makes an allowance for this type of obsolescence.

(c) Eligibility. The term abnormal obsolescence will be strictly construed and limited to a situation where unforeseen changes in market values, exceptional technological obsolescence where destruction by a catastrophe occurs providing that such events have a direct effect upon the valuation of the property at the tax

situs in the state of Indiana.

(d) Adjustment. The dollar amount of the adjustment in no event can exceed the allocatable portion of the true tax value of the particular unit of property as determined pursuant to this section for which the carrier claims an adjustment. *(State Board of Tax Commissioners; 50 IAC 4.2-10-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989)*

50 IAC 4.2-10-5 Scope of rule
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 5. Limitation on application of this rule. This section is applicable only to the aircraft of the commercial airline and the transportation equipment of interstate motor truck carriers used and operated in interstate commerce and is not applicable to the other classes of business personal property which the taxpayer may own, possess, or control at the tax situs in question. The other classification of business personal property must be reported and valued pursuant to the other provisions of this article. *(State Board of Tax Commissioners; 50 IAC 4.2-10-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989)*

Rule 11. Deductions and Exemptions for Tangible Personal Property Other than Inventory

50 IAC 4.2-11-1 Frequency of filing claims
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. (a) It is important to note the distinction between the methods of obtaining the exemption or deduction of property for assessment and taxation purposes in Indiana. This is intended to provide a quick “at a glance” reference reflecting the frequency of filing deduction and exemption claims. The specific eligibility and filing requirements for the many deductions and exemption provisions in existence are described in the “Manual of Instructions for County Auditors of Indiana”. Depreciable real property, such as buildings and land improvements, are *[sic.]* subject to assessment per the provisions of 50 IAC 2.1 *[50 IAC 2.1 was repealed filed Sep 14, 1992, 12:00 p.m.: 16 IR 662, eff Mar 1, 1995; errata filed Dec 1, 1992, 5:00 p.m.: 16 IR 1178. See 50 IAC 2.2.],* Real Property Appraisal Manual, (Regulation #17).

(b) At a glance summary.

	<u>BUSINESS PERSONAL PROPERTY</u>	<u>REAL ESTATE</u>
Method I	Application Not Required and No Assessment Shall Be Made	
	not subject to assessment	not subject to assessment
Method II	Annual Filing and Exemption Claim Required	
	annual filing required	annual filing required (re- source recovery system)
Method III	Initial Application for Exemption or Deduction Filed with County Auditor	
		four (4) year renewal required (exemptions Form 136) or automatic renewal

(deductions)

(State Board of Tax Commissioners; 50 IAC 4.2-11-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989)

50 IAC 4.2-11-2 Exemptions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-31

Sec. 2. (a) Not subject to assessment. An individual meeting the qualifying as exempt from taxation under IC 6-1.1-10-1, IC 6-1.1-10-2, IC 6-1.1-10-3, IC 6-1.1-10-4, IC 6-1.1-10-5, IC 6-1.1-10-5.5, IC 6-1.1-10-6, or IC 6-1.1-10-19, is not required to file an application for exemption and no assessment shall be made.

(b) Four (4) year renewal. An exemption application (Form 136) (50 IAC 4.2-2-9), is required to be filed with the county auditor and the state board between March 1 and May 10. An application must be filed in 1988 and every fourth year thereafter. However, an application must be filed in any other year if the property was not exempted in the immediately preceding year. An application should also be filed in any year in which an appeal to the state board or to a court of an exemption determination on the property is pending from any preceding year. This applies to property of not-for-profit corporations.

(c) Annual renewal. An exemption claim must be filed annually with the county auditor in order to obtain the credit. This generally applies to business personal property, and is addressed in more detail in 50 IAC 4.2-11-4(2). *(State Board of Tax Commissioners; 50 IAC 4.2-11-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989)*

50 IAC 4.2-11-3 Deductions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 3. (a) Automatic renewal. Initial filing is required between March 1 and May 10 with automatic renewal if eligible. This generally applies to real estate deductions for individuals rather than businesses.

(1) An individual who receives a deduction provided under IC 6-1.1-12-1, IC 6-1.1-12-9, IC 6-1.1-12-11, IC 6-1.1-12-13, IC 6-1.1-12-14, IC 6-1.1-12-16, or IC 6-1.1-12-17.4 in a particular year need not file a statement to apply in the following years.

(2) An individual who receives a deduction provided under IC 6-1.1-12-26, IC 6-1.1-12-29, IC 6-1.1-12-33, or IC 6-1.1-12-34, for a particular year need not file a statement to apply in the following years unless it is a general reassessment year. Otherwise, the deduction would be applied annually until the person notifies the auditor of ineligibility or such time as the auditor may determine that the person is no longer eligible.

(b) Annual filing. An annual deduction application is required to be filed with the county auditor and the state board between March 1 and May 15 of the assessment year. This generally applies to deductions for business personal property. *(State Board of Tax Commissioners; 50 IAC 4.2-11-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 868, eff Mar 1, 1989)*

50 IAC 4.2-11-4 Methods of claiming exemption or deduction

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 4. Business personal property may be exempted or deducted in one (1) of two (2) ways:

(1) METHOD I: Application not required and no assessment shall be made. (Applies to both real and personal property.) Public properties shall not be required to be reported for assessment if the property is owned and used by the United States, the state of Indiana, an agency of the state, or a political subdivision of the state. The following sections do not require an application for exemption:

IC 6-1.1-10-1 United States Property

IC 6-1.1-10-2 State Property

IC 6-1.1-10-3 Bridges and Tangible Appurtenant
Property

IC 6-1.1-10-4 Political Subdivision Property

IC 6-1.1-10-5 Municipal Property

IC 6-1.1-10- Urban Homesteading Property

5.5

IC 6-1.1-10-6 Municipally Owned Water Company
Property

IC 6-1.1-10- Public Library

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(2) METHOD II: (A) Annual filing and exemption claim required on assessment return. All other personal property shall be reported in the usual manner on the appropriate assessment form whether or not it is later to be deducted or exempted from taxation. Certain inventories under 50 IAC 4.2-12, and Stationary or Unlicensed Mobile Air Pollution Control Systems and Industrial Waste Control facilities under section 5 of this rule, have specific exemption procedures provided by statute which distinguishes their procedures from the two (2) methods described herein. Claims for exemption on certain inventories considered to be in interstate commerce or in a foreign trade zone and air pollution or industrial waste control facilities must be reported and claimed exempt on the lines provided on a timely filed business tangible personal property return in the taxing district where the property was located as of the assessment date.

(B) Annual filing with county auditor required. (i) For each year that an exemption or deduction from the assessed value of tangible property is allowed, the assessed value remaining after the exemption or deduction is the basis for taxation of the property. The owner of tangible personal property (other than property specifically mentioned in the preceding subdivision) who wishes to obtain an exemption, deduction, or credit from personal property taxation shall report the property and annually file a certified application in duplicate with the auditor of the county in which the property is located. The exemption or deduction application which is required shall contain the following information:

(AA) A description of the property claimed to be subject to exemption or deduction in sufficient detail to afford identification.

(BB) A statement showing the ownership, possession, and the use of the property.

(CC) The grounds for claiming the exemption or deduction.

(DD) The full name and address of the applicant.

(EE) Any additional information which the state board may require by its prescribed form.

(ii) The application for exemption or deduction must be filed annually on or before May 15 on forms

prescribed by the state board. The application applies only for the taxes imposed for the year for which the application is filed. Generally, applications for deductions from business personal property assessments must be filed annually between March 1 and May 15 of each assessment year. Therefore, a person that timely files a personal property return under IC 6-1.1-3-7(a) for an assessment year and who claims:

(AA) a deduction for new manufacturing equipment provided by IC 6-1.1-12-4.5 [*sic.*, IC 6-1.1-12.1-4.5] (Form 322 ERA/PP) (50 IAC 4.2-2-9); or

(BB) a credit for inventory in an enterprise zone provided by IC 6-1.1-20.8 (Form EZ-1) (50 IAC 4.2-2-9) or an industrial recovery site provided by IC 6-1.1-20-7 (Form IR-1) (50 IAC 4.2-2-9); or

(CC) a deduction for personal property used in a resource recovery system provided by IC 6-1.1-12-28.5 (Form RRS-1) (50 IAC 4.2-2-9); or

(DD) a deduction for personal property located in a maritime opportunity district provided by IC 6-1.1-40 (Form MOD-1) (50 IAC 4.2-2-9);

must file the application between March 1 and May 15 of that year in order to obtain the deduction or credit. A person that obtains a filing extension under IC 6-1.1-3-7(c) for an assessment year must file the application between March 1 and June 14 of that year in order to obtain the deduction or credit.

(iii) Property subject to exemption or deduction under Method II includes, but is not limited to, personal property owned and used for:

- | | | |
|-------------------------------|---|-----------|
| (AA) educational; |) | |
| (BB) literary; |) | |
| (CC) scientific; |) | |
| (DD) religious; |) | |
| (EE) charitable purposes; |) | |
| (FF) interstate commerce or |) | |
| foreign trade zone |) | |
| inventories; |) | |
| (GG) industrial waste control |) | |
| facility; |) | |
| (HH) stationary or |) | MAY 15 |
| unlicensed mobile air |) | PLUS |
| pollution control system; |) | EXTENSION |
| (II) resource recovery |) | |
| system; |) | |
| (JJ) new manufacturing |) | |
| equipment in an |) | |
| approved economic |) | |
| revitalization area; |) | |
| (KK) enterprise zone |) | |
| inventory credit or |) | |
| industrial recovery site |) | |

inventory credit; and)
(LL) inventory and new)
manufacturing)
equipment
in an approved)
maritime opportunity)
district.)

(State Board of Tax Commissioners; 50 IAC 4.2-11-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 868, eff Mar 1, 1989)

50 IAC 4.2-11-5 Stationary or unlicensed mobile air pollution control system

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1; IC 36-5-1

Sec. 5. Stationary or unlicensed mobile air pollution control system. (a) Any tangible personal property which is a stationary or unlicensed mobile air pollution control system of a privately-owned manufacturing, fabricating, assembling, extracting, mining, processing, generating, refining, or other industrial facility; and is employed predominantly in the operation of an air pollution control system designed and used for the improvement of public health and welfare by the prevention or elimination of air contamination caused by industrial waste or contaminants; and is acquired for the purpose of complying with state, local, or federal environmental quality statutes, regulations, or standards, may be exempt from taxation subject to the limitations contained herein provided no stationary treatment or elimination facility is made available by public authorities and the stationary or unlicensed mobile air pollution control system is not primarily used in the production of property for sale. Generally, equipment such as paint spray booths or dust collectors would not qualify for exemption under this section since they are primarily used to remove particulates, dust, or fumes from the work area and/or in the production of property for sale. Dust collecting bag houses or stack scrubbers which are primarily designed and used to prevent or eliminate pollutant contamination of the air outside of or away from the production plant generally would qualify for exemption since such systems primarily benefit the general public. The specific facts and circumstances of each taxpayer's equipment and operations must be considered in determining whether each item of property qualifies under this section.

(b) Reporting on return. The exemption must be claimed by the owner thereof on the annual personal property tax return filed for the taxing district in which such property is located. This claim is required to be made on Form 103-P prescribed by the state board pursuant to 50 IAC 4.2-2-9.

(c) Amount of exemption. The dollar amount of the exemption claimed is specifically limited to the cost of the depreciable personal property that is attributable to the stationary industrial air purification system.

(d) Allowance by assessor. The township assessor shall review the exemption claimed and shall at their discretion allow in whole or in part the amount attributable to the tangible personal property based upon the provisions of this article. *(State Board of Tax Commissioners; 50 IAC 4.2-11-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 869, eff Mar 1, 1989)*

50 IAC 4.2-11-6 Industrial waste control facility

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 6. (a) Any tangible personal property that is an industrial waste control facility may qualify as exempt from personal property taxation subject to this subsection.

(b) "Industrial waste control facility" means the tangible personal property included either as part of or an adjunct to a privately-owned manufacturing or industrial plant or coal mining operation and used predominantly for the purpose of accomplishing the objectives of the department of environmental management to prevent, control, reduce, or eliminate pollution of streams and public bodies of water within or adjoining the state of Indiana by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, and/or disposing of waste and contaminants generated by such plant or meet state or federal reclamation standards for a coal mining operation. Any tangible personal property not used in the production of property for sale but constituting an industrial waste control facility as herein defined shall be exempt from ad valorem property taxation by the state of Indiana and any political subdivision thereof.

(c) Amount of exemption. The dollar amount of the exemption claimed is limited to the cost of the depreciable personal property that is attributable to the industrial waste control facility.

(d) Claim for exemption. The owner of the industrial waste control facility shall file a claim for exemption thereof with the owner's annual personal property tax return filed in the taxing district where such property has a tax situs on Form 103-P provided under 50 IAC 4.2-2-9. Such claim must describe the property claimed to be exempt.

(1) The owner shall, by certified or registered mail, forward a copy of the exemption claim to the department of environmental management. The department shall acknowledge receipt of the claim.

(2) Within one hundred twenty (120) days after mailing of the copy of the claim the department of environmental management is required by statute to certify to the assessor its determination as to whether or not the property claimed as exempt is being currently utilized as a qualified industrial waste control facility.

(3) The township assessor shall allow or deny the claim for exemption as determined by the department of environmental management or if the department fails to act within one hundred twenty (120) days, allow the claim, if the owner provides the assessor with proof that a copy of the claim has been mailed to the department of environmental management insofar as such claim related to tangible personal property and determine the proper value of the industrial waste control facilities, pursuant to this article.

(e) Sewage treatment plants. The attorney general, O.A.G. NO. 39, 1969 has taken the position that sewage treatment plants built by and within the premises of a privately-owned manufacturing or industrial plant qualify as an industrial waste control facility, providing the taxpayer follows the procedure for claiming an exemption. The department of environmental management was created under IC 13-7-2 [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*] and effective July 1, 1986, includes the water (stream) pollution control division and solid waste management division.

As of July 14, 1988, the address for the department of environmental management is:

105 S. Meridian Street P.O. Box 6015 Indianapolis, IN 46206

(*State Board of Tax Commissioners; 50 IAC 4.2-11-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 870, eff Mar 1, 1989*)

50 IAC 4.2-11-7 Resource recovery system deduction

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-15

Sec. 7. (a) It is important to reemphasize that in any case in which business personal property is entitled to a deduction provision it must be reported as assessable along with all other assessable personal property, on the assessment return form filed with the appropriate township assessor. The adjustment for the deduction from assessed valuation is initiated at the time the taxpayer files the appropriate application for deduction with the county auditor of the county in which the property is located. After the township assessor submits their list of business personal property subject to assessment and taxation to the county auditor from the assessment return forms filed with them, the county auditor effectuates the deduction claim based upon the taxpayer's application as filed with them prior to computing the business personal property tax bill. The personal property established below, may have an application for deduction claim filed with the county auditor in accordance with section 4(2) of this rule (Method II).

(b) Resource recovery system. The owner of a resource recovery system which processes solid waste or hazardous waste is entitled to have deducted annually from the assessed value of the system an amount equal to ninety-five percent (95%) of that assessed value. However, the owner of a resource recovery system that is directly used to dispose of hazardous waste is not entitled to the deduction provided by this subsection for a particular assessment year if during that assessment year the owner:

(1) is convicted of any violation under IC 13-7-13-3 [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*] or IC 13-7-13-4 [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*]; or

(2) is subject to an order or consent decree based upon a violation of a federal or state rule, regulation, or statute governing the treatment, storage, or disposal of hazardous wastes that had a major or moderate potential for harm.

(c) "Hazardous waste" has the meaning set forth in IC 13-7-1-12 [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*], and includes a waste determined to be a hazardous waste under IC 13-7-8.5-3(b) [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*].

(d) "Resource recovery system" means tangible property directly used to dispose of solid waste or hazardous waste by converting it into energy or other useful products.

(e) "Solid waste" has the meaning set forth in IC 13-7-1-22 [*IC 13-7 was repealed by P.L.1-1996, SECTION 99, effective July 1, 1996.*], but does not include dead animals or any animal solid or semi-solid wastes.

(f) Claim for deduction. The owner of a resource recovery system who desires to claim the deduction pursuant to this subsection, must file a certified statement in duplicate, on forms prescribed by the state board and proof of certification by the department of environmental management, with the auditor of the county in which the recovery system is subject to assessment. The statement must be filed between March 1 and May 15, inclusive, of each year for which the deduction is claimed.

As of July 14, 1988, the address for the department of environmental management is:
105 S. Meridian Street P.O. Box 6015 Indianapolis, IN 46206

(g) The department of environmental management, upon application by a property owner, shall determine whether a system or device qualifies for a deduction. If the department determines that a system or device qualifies for a deduction, it shall certify the system or device and provide proof of the certification to the property owner. The department shall prescribe the form and manner of the certification process required.

(h) A denial of a deduction may be appealed as provided in IC 6-1.1-15. The appeal is limited to a review of the determination by the township assessor, county board of review, or state board. (*State Board of Tax Commissioners; 50 IAC 4.2-11-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 871, eff Mar 1, 1989*)

50 IAC 4.2-11-8 Other property not subject to assessment per this article

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11; IC 6-1.1-4

Sec. 8. (a) Depreciable real property. The cost per books of the depreciable tangible property that constitutes real property under Indiana law or under the regulations issued by the state board is exempt from personal property taxation. A real and personal property guide is established in 50 IAC 4.2-4-10. Beginning with the date when the March 1, 1989 reassessment becomes effective, the following property will be treated as tangible business personal property:

- (1) All ash handling systems, pit, and framing related to the system.
- (2) Coal handling systems.
- (3) Prefab walk-in type cold storage rooms.
- (4) Conveyor housings.
- (5) Crane runways including supporting columns or structure and foundation inside or outside of buildings.
- (6) Ore bridge foundations.
- (7) Spray pond piping and equipment.

The following property will be treated as real property:

- (1) Package air conditioning units, through the wall commercial type.
- (2) Grain bins for storage.
- (3) Above ground swimming pools.
- (4) Portable confinement sheds or buildings.

These treatments are changes from the previous reassessment.

(b) "Depreciable real property" is herein defined as follows:

(1) All buildings including, but not limited to, special purpose buildings such as greenhouses, kilns (not including the heating or drying system), scale houses, storage silos (not used in the manufacturing process), storage facilities of a permanent construction of masonry, wood, steel, fiber glass, or similar materials, storage vaults (including bank vaults), water pumping stations (excluding water pumps and motors), water treating and softening plant buildings (excluding the water treating and softening equipment), and cold storage buildings (excluding the refrigeration and storage equipment) are depreciable real property. Buildings shall include the following:

(A) Structural or other improvements, the foundation, walls, floors, roofs, insulation, stairways, partitions, loading and unloading platforms, canopies, areaways, and building elevators and escalators (except carpeting which is installed over a finished floor).

(B) Central systems for heating, air conditioning, ventilation, sanitation, fixed fire protection, lighting, plumbing, and drinking water to the extent that such systems are not integrated parts of the manufacturing process. In determining whether the central systems are includable as real property, the following standards should be applied:

- (i) Such systems shall not include the portion attributable to activities or processes conducted in the building if such systems are an integral part thereof.
- (ii) A portion of the central system that was installed to specifically accommodate the manufacturing process or activity conducted in the facility is not depreciable real property.
- (iii) When any central system has a dual purpose or when a portion thereof is not

depreciable real property, an allocation shall be made based upon each taxpayer's facts and circumstances.

(C) Foundations for buildings shall not include foundations which support machinery and equipment, including the pilings installed to support such machinery and equipment foundations. When the foundations for buildings are utilized in a dual capacity to support depreciable personal property, the cost thereof must be reasonably allocated.

(2) "Land improvements" shall include, but not be limited to, retaining walls, piling and mats for general improvements of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, fencing, reservoirs, dikes, dams, ditches, canals, drainages, storm and sanitary sewers, water lines for drinking, sanitary and fire protection, fixed river, lakes, or tidewater wharves and docks, permanent standard gauge railroad trackage, bridges and trestles, walls forming storage yards, and fire protection dikes. However, the "land improvements" shall not include items which are related to buildings or machinery and equipment, which are items subject to the conditions and allocations set forth in subdivision (1).

(State Board of Tax Commissioners; 50 IAC 4.2-11-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 871, eff Mar 1, 1989)

50 IAC 4.2-11-9 Applicability

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10

Sec. 9. The dollar value of the exemptions as determined under 50 IAC 4.2-4-4 will be allowed as an exemption. Nothing contained in section 8 of this rule may be construed to exempt property for assessment purposes that is not exempt under section 5, 6, or 7 of this rule. *(State Board of Tax Commissioners; 50 IAC 4.2-11-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 872, eff Mar 1, 1989; filed Feb 8, 1996, 5:30 p.m.: 19 IR 1294; errata filed Feb 9, 1996, 11:05 a.m.: 19 IR 1372)*

50 IAC 4.2-11-10 Waiver of exemption

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-11

Sec. 10. Waiver of exemption. An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with statutory procedures for obtaining an exemption, they waive the exemption. If the exemption is waived, the property is subject to taxation. (The complete text of the statute is contained in IC 6-1.1-11-1.) (State Board of Tax Commissioners; 50 IAC 4.2-11-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 873, eff Mar 1, 1989)

Rule 12. Deductions, Exemptions, and Credits for Inventory

50 IAC 4.2-12-1 General provisions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 1. (a) The property must be reported and claimed exempt annually on the business tangible

personal property return in a timely manner. There are four (4) sections within the statutes and this article that contain the eligibility requirements for the exemption of goods considered to be in interstate commerce. In addition, there are four (4) other provisions, which provide for exemption if the inventory is located in:

- (1) a foreign trade zone;
- (2) an enterprise zone;
- (3) an industrial recovery site; or
- (4) a maritime opportunity district.

(b) A person who is required to file a personal property return, has personal property in a warehouse or a foreign trade zone on the assessment date of any year, and wishes to claim the exemption provided under section 3, 9, 10, or 11 of this rule, shall report on their personal property return, in the manner prescribed by the state board, the value of the property for which the exemption is claimed. (IC 6-1.1-10-31)

(c) The value of inventory reported on Form 103, Schedule B, lines 6 and 10 (50 IAC 4.2-2-9), must include the exempt inventory. In the case of the interstate commerce exemptions, the exempt inventory must be claimed on line 19 of said form, and this claim supported on an attached Form 103-W (information form) (50 IAC 4.2-2-9). In the case of the enterprise zone, industrial recovery site, or maritime opportunity district inventory exemptions, the taxpayer must file the appropriate exemption claim form with the county auditor.

(d) Waiver of exemption. An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, they waive the exemption. If the exemption is waived, the property is subject to taxation (IC 6-1.1-11-1). Form 103-W (50 IAC 4.2-2-9), has been prescribed by the state board as the form on which to claim an interstate or foreign trade zone inventory exemption. Form EZ1 (50 IAC 4.2-2-9), has been prescribed as the form on which to claim an enterprise zone inventory exemption; Form IR-1 (50 IAC 4.2-2-9), for claiming an industrial recovery site inventory exemption; and Form MOD-1 (50 IAC 4.2-2-9), for claiming a maritime opportunity district inventory exemption. (IC 6-1.1-11-1)

(e) These exemptions will be permitted to taxpayers who timely file and show the amount of their claim for exemption on the proper line of the prescribed return forms, provided the taxpayer is able to document all of the evidence required in subsection (a), or sections 9, 10, and 11 [*sections 9 through 11 of this rule*], when required to do so by any assessing official or board.

(f) Common qualifications. All property described below must be finished, ready for shipment, stored in the warehouse in and remain in its original package as defined. The table below summarizes the interstate shipment exemptions followed by the statutory provisions.

(g) Specific qualifications—at a glance

IC and IAC Citation	Owned by	Origin of Goods	Stored In Warehouse	Additional Specific Requirements
IC 6-1.1-10-29 (section 3(a) of this rule)	Manufacturer or Processor	In State	Public or Private	Must show by adequate records that the property is stored and remains in its original package, without further processing, in an in-state warehouse to be shipped to out-of-state destinations. Allocation method (section 5 of this rule) based on prior years experience.
IC 6-1.1-10-30(a) and IC 6-1.1-10-29.3 (section 3(b))	Nonresident	Out of State	Public or Private	The owner is able to show by adequate records that the property has been shipped into this state and is stored and remains in its

of this rule)

original package, without further manufacturing or processing except repackaging, and is stored in an in-state warehouse for the purpose of transshipment to an out-of-state destination. Allocation method (section 5 of this rule) based on previous years experience. Subject to limitations in section 4 of this rule.

IC 6-1.1-10-30(b) (section 3(c) of this rule)	Resident or Nonresident	In State or Out of State	Public or Private	Property had been ordered prior to assessment date identifying the specific known out-of-state destination to which the property is subsequently shipped. If not shipped to that destination an amended property tax return is required. Property stored and remains in its original package. Subject to limitations in section 4 of this rule.
IC 6-1.1-10-30(c) (section 3(d) of this rule)	Resident or Nonresident	In State	Public (only)	Property was transported to public warehouse by common, contract, or private carrier. Held for transshipment to out of state destination and labeled to show that purpose. Property stored and remains in its original package. Owner must show by adequate records (section 5 of this rule), that the property is to be transshipped to out of state destinations. Subject to limitations in section 4 of this rule.
IC 6-1.1-10-30(d) (section 4 of this rule)				An exemption provided by this section applies only to the extent that the property is exempt from taxation under the commerce clause of the Constitution of the United States.

(State Board of Tax Commissioners; 50 IAC 4.2-12-1; filed Dec 7, 1988, 9:35 a.m.; 12 IR 873, eff Mar 1, 1989)

50 IAC 4.2-12-2 (Reserved)

50 IAC 4.2-12-3 Interstate commerce exemption; specific requirements

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 3. (a) Personal property owned by a manufacturer or processor (IC 6-1.1-10-29). Personal property owned by a manufacturer or a processor is exempt from property taxation if the owner is able to show by adequate records that the property is stored and remains in its original package in an in-state warehouse for the

purpose of shipment without further processing, to an out-of-state destination.

(b) Property which originated out-of-state (IC 6-1.1-10-30(a) and IC 6-1.1-10-29.3). Subject to the limitations contained in section 4 of this rule, personal property is exempt from taxation if:

- (1) the property is owned by a nonresident of this state;
- (2) the owner is able to show by adequate records that property has been shipped into this state and placed in its original package in an instate warehouse for the purpose of transshipment to an out-of-state destination; and
- (3) the property is stored and remains in its original package, without further manufacturing or processing except repackaging, in the instate warehouse.

(c) Property ordered for out-of-state shipment (IC 6-1.1-10-30(b)). Subject to the limitation contained in section 4 of this rule, personal property is exempt from property taxation if:

- (1) the property has been placed in its original package in a public or private warehouse for the purpose of shipment to an out-of-state destination;
- (2) the property remains in the original package and in the public or private warehouse; and
- (3) the property had been ordered and is ready for shipment in interstate commerce to a specific known destination to which the property is subsequently shipped.
- (4) If a property tax exemption is claimed under this subsection for property which is not shipped to the specific known destination required under subdivision (3), the taxpayer shall file an amended personal property tax return for the year for which the exemption for that property was claimed.
- (5) The provisions of this subsection provide for exemption, however, it also contains certain specific requirements, which must be met in order to gain exemption. The requirement in this subsection that the property had been ordered prior to the assessment date identifying the specific known out of state destination to which the property is subsequently shipped must be evidenced by, but not limited to, the following:

(A) Accepted purchase order indicating purchase of a number of specific units or quantities of product for shipment to specific known out of state destination.

(B) Accepted blanket purchase orders will require a preassessment date "release" against that blanket purchase order committing a specific number of units or quantities of product for shipment to a specific known out of state destination.

(C) Accepted contracts on hand prior to the assessment date requiring shipment of a specific number of units or quantities of product to a specific known out of state destination.

(6) The taxpayer must maintain sufficient inventory records in order that it can be determined that the specific items of inventory for which there are outstanding orders as of the assessment date are actually contained in the assessment date inventory balance on the books and records in sufficient quantity to fill all the orders on hand.

(A) Therefore, a check of all outstanding purchase orders on hand as of the assessment date is to be matched against the quantities of the specific units of property on hand and included in the inventory account balances as of the assessment date to ensure that there are sufficient quantities of inventory which is finished, ready for shipment in its original package to cover all outstanding purchase orders. FIFO (first in-first out) accounting treatment is mandatory, i.e., shipments from finished goods inventory will be matched with corresponding purchase orders to first determine in state vs. out of state shipments to verify the amount of exemption.

(B) If there are more outstanding purchase orders by specific product identification on hand than is *[sic.]* contained in the inventory account balances by specific product identification,

then the amount of eligible property would be limited to the smaller amount contained in the inventory account balances.

(C) Determination of exemption will be based on identification of units ordered, in finished goods inventory on the assessment date (as qualified above) and proof that those units were actually shipped to the specific known out of state destination as evidenced by a shipping document.

(7) Taxpayers, reporting on the March 1 basis, may claim an exemption under subsection (c) [*this subsection*], if the taxpayer can prove that on the assessment date the merchandise had been ordered, placed in the original package, ready for shipment in interstate commerce to a specific known out-of-state destination, and that the goods were actually shipped in inter-state commerce to the destination designated in the order mentioned above.

(8) Taxpayers, electing to report on the calendar year average basis (50 IAC 4.2-5-9), may claim an exemption under this section if the taxpayer can prove that on the first day of each calendar month of the prior calendar year the merchandise had been ordered, placed in the original package, ready for shipment in inter-state commerce to a specific known out-of-state destination, and that the goods were actually shipped in inter-state commerce to the destination designated in the original order.

(d) Property stored in public warehouse (IC 6-1.1-10-30(c)). Subject to the limitation contained in section 4 of this rule, personal property is exempt from property taxation if:

- (1) the property has been placed in its original package in a public warehouse;
- (2) the property was transported to that public warehouse by a common, contract, or private carrier;
- (3) the owner is able to show by adequate records that the property is held in the public warehouse for purposes of transshipment to an out of state destination and is labeled to show that purpose; and
- (4) the property remains in its original package and in the public warehouse;

however, no personal property is exempt from property taxation under this subsection if the property is owned by the same person who owns or leases the public warehouse where the property is held.

(e) Property held in a foreign trade zone. Subject to the limitations contained in section 4 of this rule, tangible personal property is exempt from property taxation if:

- (1) the property is held, on the assessment date, in a foreign trade zone established under 19 U.S.C. 81; and
- (2) the property was either imported into the foreign trade zone from a foreign country or was placed in the foreign trade zone exclusively for export to a foreign country.

(*State Board of Tax Commissioners; 50 IAC 4.2-12-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 874, eff Mar 1, 1989*)

50 IAC 4.2-12-4 Commerce clause

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10-30; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 4. Under IC 6-1.1-10-30(d), an exemption provided by this section applies only to the extent that the property is exempt from taxation under the commerce clause of the Constitution of the United States. (*State Board of Tax Commissioners; 50 IAC 4.2-12-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 876, eff Mar 1, 1989*)

50 IAC 4.2-12-5 Definitions

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 5. (a) “Adequate records” as used in IC 6-1.1-10-29 (section 3(a) of this rule), IC 6-1.1-10-29.3 and IC 6-1.1-10-30(a) (section 3(b) of this rule), and IC 6-1.1-10-30(c) (section 3(d) of this rule), includes a designation on a bill of lading, freight bill, delivery receipt, manifest, packing slip, or an equivalent document, or a final entry in the records of the taxpayer indicating that property is held for shipment to an out-of-state destination. Such a designation for out-of-state shipment is sufficient for purposes of IC 6-1.1-10-29 (section 3(a) of this rule), IC 6-1.1-10-29.3 and IC 6-1.1-10-30(a) (section 3(b) of this rule), and IC 6-1.1-10-30(c) (section 3(d) of this rule), even though the specific out-of-state destination of the property is not included in the designation and even though the destination of the property is unknown on the assessment date.

(1) For the purpose of substantiating the amount of their personal property which is exempt from property taxation under IC 6-1.1-10-29 (section 3(a) of this rule), IC 6-1.1-10-29.3 and IC 6-1.1-10-30(a) (section 3(b) of this rule), and IC 6-1.1-10-30(c) (section 3(d) of this rule), a taxpayer shall maintain records that reflect the specific type and amount of personal property claimed to be exempt so that the taxpayer's taxable personal property may be distinguished from their exempt personal property. In lieu of specific identification, the taxpayer may elect to establish the value of their exempt personal property by utilizing an allocation method whereby the exempt personal property is determined by dividing:

(A) the value of the taxpayer's property shipped from the in-state warehouse to out-of-state destinations during the twelve (12) month period ending with the assessment date; by

(B) the total value of all shipments of the taxpayer's property from the in-state warehouse during the same period of time, and applying this ratio to the taxpayer's total inventory of personal property that has been placed in the in-state warehouse, that is in the in-state warehouse as of the assessment date, and that meets the other requirements for an exemption under IC 6-1.1-10-29, IC 6-1.1-10-29.3, IC 6-1.1-10-30(a), or IC 6-1.1-10-30(c).

(2) If the taxpayer uses the allocation method, they shall keep records which adequately establish the validity of the allocation.

(3) A separate allocation factor must be computed for each warehouse facility for which an exemption is claimed. The specific allocation factor computed for each warehouse must be applied to the total qualified inventory stored in that particular warehouse as of the assessment date.

(4) If the taxpayer elects to keep a specific inventory, they shall maintain additional records which reflect:

(A) an accurate inventory of all personal property stored in an in-state warehouse, i.e., both inventory destined for points outside the state and inventory destined for points within the state;

(B) the date of deposit of the inventory in the in-state warehouse;

(C) the date of withdrawal of the inventory from the in-state warehouse; and

(D) the point of ultimate destination of the shipments, if known.

(b) “Nonresident” means a taxpayer who places property in the original package and into the stream of commerce from outside of the state of Indiana.

(c) “Manufacturer” or “processor” defined:

(1) The word “manufacture” means the making of goods or wares by manual labor or by machinery, especially on a large scale. It includes nearly all such materials as have acquired changed conditions or new and specific combinations, whether from the direct action of the human hand, from chemical processes devised and directed by human skill, or by the employment of machinery.

(2) The word “process” means an act or continuous series of operations which has the effect of transforming or changing the subject matter into a different state or thing. A process can be accomplished by chemical action, by the operation or application of some element or power of nature, or the application of one (1) substance to another, irrespective of any machine or mechanical process.

(3) Therefore, “manufacturer” or “processor” means one who performs an operation or continuous series of operations which begin with raw materials and who processes the materials into a new or changed form either by hand, by machinery, or by chemical process directed or controlled by human power.

(d) “Original package” means the box, case, bale, skid, bundle, parcel, or aggregation thereof bound together and used by the seller, manufacturer, or packer for shipment.

(e) “Bill of lading” means a document evidencing the receipt of goods for shipment issued by a person engaged in the business of transporting or forwarding goods, and includes an airbill.(IC 26-1-1-201(6)). (*State Board of Tax Commissioners; 50 IAC 4.2-12-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 876, eff Mar 1, 1989*)

50 IAC 4.2-12-6 Severability

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 6. If any part of sections 1 through 5, or section 7 of this rule, or the application of it to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this rule which can be given effect without the invalid provision or application, and to this end each section of this rule is severable. (*State Board of Tax Commissioners; 50 IAC 4.2-12-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 877, eff Mar 1, 1989*)

50 IAC 4.2-12-7 (Reserved)

50 IAC 4.2-12-8 Government-owned inventory

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10; IC 6-1.1-11-1; IC 26-1-1-201

Sec. 8. (a) Inventory, which will qualify for exemption as government-owned property will include:

(1) finished goods and work-in-process, title to which is in the government pursuant to the applicable contract or subcontract;

(2) materials and supplies furnished by the government for use in performing the contract or subcontract; and

(3) raw materials and supplies allocated to a government contract or subcontract which vests title thereto in the government.

(b) Allocation must be substantiated by:

(1) purchase documents which assign the property to the contract;

(2) transfer of the property from common or general stores to the specific contract by requisition, work order, or other accounting document; or

(3) any other method which indicates clearly and factually that the proper allocation was made.

EXAMPLE 1

A company issues a purchase order for one thousand (1,000) widgets to be used in fulfillment of both

government and commercial contracts. On delivery, the widgets are assigned to common or general stores and thereafter requisitioned for use in performance of specific contracts. When a requisition for two hundred (200) widgets is issued and the property is transferred to the work-in-process account, title vests in the government contract containing a title vesting clause.

EXAMPLE 2

A company issues a purchase order for five hundred (500) widgets to be used solely in the performance of a government contract containing a title vesting clause. The purchase order cites the applicable prime contract number, and the cost thereof is to be charged directly to the government contract. Title to such property vests in the government upon delivery by the vendor, and such property is thereafter tax exempt.

(c) Types of government contracts. In general, the following types of contracts and subcontracts have title clauses pursuant to which the government acquires ownership of inventory prior to acceptance of the finished goods:

- (1) fixed price type contracts or subcontracts with progress payments; and
- (2) cost reimbursement type contracts or subcontracts.

(d) In any event passage of title is governed by the terms of each individual contract. (*State Board of Tax Commissioners; 50 IAC 4.2-12-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 877, eff Mar 1, 1989*)

50 IAC 4.2-12-9 Enterprise zone inventory credit; authorization; filing, eligibility determination

Authority: IC 6-1.1-31-1

Affected: IC 4-4-6.1; IC 6-1.1

Sec. 9. Enterprise zone inventory credit. (a) A person is entitled to a credit against their property tax liability under IC 6-1.1-2, for a particular year in the amount of their property tax liability under IC 6-1.1-2, on enterprise zone inventory for that year.

(b) "Enterprise zone inventory" means inventory, as defined in IC 6-1.1-3-11, that is located within an enterprise zone created under IC 4-4-6.1 on the assessment date.

(c) Filing of claim. A person who desires to claim the credit provided shall file a certified application, on forms prescribed by the state board, with the auditor of the county where the property for which the credit is claimed was located on the assessment date, and with the state board.

(d) A person required to file a personal property return reporting inventory subject to assessment under IC 6-1.1-3-7(a), for an assessment year must file the application between March 1 and May 15 of that year in order to obtain the credit in the following year. A person that obtains a filing extension under IC 6-1.1-3-7(c), for an assessment year must file the application between March 1 and June 14 of that year in order to obtain the credit in the following year.

(e) Information required. A taxpayer shall include on an application filed all information that the state board requires to determine eligibility for the credit provided under this section.

(f) Determination of eligibility. The county auditor shall determine the eligibility of each applicant, and shall notify the applicant and the state board of the determination before August 15 of the year in which the application is made. The notice must contain a statement that:

- (1) the applicant is entitled to appeal a denial of eligibility; and
- (2) the state board may, upon its own initiative, review the application and deny the credit.

(g) If the county auditor determines that an applicant is not eligible, the applicant may appeal for a review of the application by the state board. An appeal is perfected by the filing of a written request for review

with the state board no later than thirty (30) days after the date on the county auditor's notice. The request must:

(1) state the name of the applicant;

(2) identify the application; and

(3) state the reasons the applicant believes that the county auditor's decision is incorrect.

(h) The state board shall review the application of any applicant who files an appeal as described above.

(i) The state board may review any application and if it finds that the applicant has been denied but is eligible or that the applicant is not eligible, the state board shall notify the applicant and the county auditor of the board's decision to allow or disallow the credit. (*State Board of Tax Commissioners; 50 IAC 4.2-12-9; filed Dec 7, 1988, 9:35 a.m.; 12 IR 878, eff Mar 1, 1989*)

50 IAC 4.2-12-10 Industrial recovery site inventory

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1; IC 6-3.1-11

Sec. 10. (a) A person is entitled to a credit against the person's property tax liability under IC 6-1.1-2, for the amount of increase in inventory located in an approved industrial recovery site. "Industrial recovery site inventory value" means the assessed value of the taxpayer's inventory located on an industrial recovery site on the assessment date minus the assessed value of the taxpayer's inventory located on the industrial recovery site on the predesignation assessment date. "Predesignation assessment date" means the assessment date immediately preceding the date that the state enterprise zone board approves the industrial recovery site designation for a location under IC 6-3.1-11. In order to be declared as an industrial recovery site under this section, a building or complex of buildings must contain at least three hundred thousand (300,000) square feet. At least fifty percent (50%) of this building or complex must be at least twenty (20) years old, and at least seventy-five percent (75%) of the floor space must have been vacant for two (2) years.

(b) The tenants of a declared building may apply for a credit under this section. This credit must be filed annually, and is available for ten (10) years from the date the site was designated an industrial recovery site.

(c) Filing of claim for exemption. A person desiring to claim the credit provided by this section must report the inventory for assessment on a completed Form 103 (50 IAC 4.2-2-9), (filed with the assessor), and file a certified application on forms prescribed by the state board, with the auditor of the county where the inventory was located on the assessment date, and with the state board. A person required to file a personal property return under IC 6-1.1-3-7(a), for an assessment year must file the application between March 1 and May 15 of the year in order to obtain the credit in the following year. A person that obtains a filing extension under IC 6-1.1-3-7(c), for an assessment year must file the application between March 1 and June 14 of that year.

(d) Additional filing requirements. A taxpayer shall include on the application filed all information that the state board requires to determine eligibility for the credit provided under this section.

(e) Review of claim. The county auditor shall determine the eligibility of each applicant, and shall notify the applicant and the state board of the determination in the same manner as prescribed for the enterprise zone inventory credit under IC 6-1.1-20.8.

(f) If the county auditor determines that an applicant is not eligible, the applicant may appeal for a review in the same manner as prescribed for the enterprise zone inventory credit under IC 6-1.1-20.8.

(g) The state board shall review the application of any applicant who files an appeal as described above.

(h) The state board may review any application and make a determination in the same manner as prescribed for the enterprise zone inventory credit under IC 6-1.1-20.8. (*State Board of Tax Commissioners; 50*

IAC 4.2-12-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 878, eff Mar 1, 1989)

50 IAC 4.2-12-11 Maritime opportunity district inventory

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-2; IC 6-1.1-40

Sec. 11. A person is entitled to a credit against the person's property tax liability under IC 6-1.1-2 if that person has inventory located in a maritime opportunity district. The qualifications and filing requirements for this credit are detailed in 50 IAC 4.2-11-4. (*State Board of Tax Commissioners; 50 IAC 4.2-12-11; filed Dec 7, 1988, 9:35 a.m.: 12 IR 879, eff Mar 1, 1989; filed Feb 8, 1996, 5:30 p.m.: 19 IR 1294; errata filed Feb 9, 1996, 11:05 a.m.: 19 IR 1372*)

50 IAC 4.2-12-12 Automobiles used for driver education

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-10-5

Sec. 12. Automobiles used for driver education. Motor vehicles which on March 1 are provided free of charge by automobile dealers to public or parochial educational institutions and registered by the Indiana bureau of motor vehicles in the name of such educational institution for the purpose of teaching student driver education shall be exempt from personal property assessment. These motor vehicles must be included in the form with all other inventory and an appropriate adjustment taken on the adjustment form. (*State Board of Tax Commissioners; 50 IAC 4.2-12-12; filed Dec 7, 1988, 9:35 a.m.: 12 IR 879, eff Mar 1, 1989*)

Rule 13. Tax Abatement Provisions; New Manufacturing Equipment in Approved Economic Revitalization Areas or Maritime Opportunity District (*Repealed*)

(*Repealed by State Board of Tax Commissioners; filed Feb 8, 1996, 5:30 p.m.: 19 IR 1300*)

Rule 14. Principal Business Activity Codes

50 IAC 4.2-14-1 Principal business activity codes

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 1. Following is a listing of business activity code numbers. It is a requirement that each taxpayer designate their business activity code number and description on the lines provided on the front page of Forms 102, 103-Short and 103-Long (50 IAC 4.2-9).

Code	AGRICULTURE, FORESTRY,
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Farms:	AND FISHING
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0120 Field crop.

0160 Vegetable and melon farms.

0170 Fruit and tree nut farms.

0180 Horticultural speciality.

0211 Beef cattle feedlots.

- 0212 Beef cattle, except feedlots.
- 0215 Hogs, sheep, and goats.
- 0240 Dairy farms.
- 0250 Poultry and eggs.
- 0260 General livestock (except animal speciality).
- 0270 Animal speciality.

Agricultural services and forestry:

- 0740 Veterinary services.
- 0753 Livestock breeding.
- 0754 Animal services, except livestock breeding and veterinary.
- 0780 Landscape and horticulture services.
- 0790 Other agricultural services.
- 0800 Forestry.

Fishing, hunting, and trapping:

- 0930 Commercial fishing, hatcheries, and preserves.
- 0970 Hunting, trapping, and game propagation. MINING
- 1000 Metal mining.
- 1010 Iron ores.
- 1070 Cooper [*sic.*], lead and zinc, gold and silver ores.
- 1098 Other metal mining.
- 1150 Coal mining.

1300 Oil and gas extraction:

- 1330 Crude petroleum, natural gas, and natural gas liquids.
- 1380 Oil and gas field services.
- 1400 Nonmetallic minerals (except fuels mining).
- 1430 Dimension, crushed and broken stone; sand and gravel.
- 1498 Other nonmetallic minerals, except fuels.

CONSTRUCTION

General building contractors and operative builders:

- 1510 General building contractors.
- 1531 Operative builders.

Heavy construction contractors:

- 1611 Highway and street construction.
- 1620 Heavy construction, except highway.

Special trade contractors:

- 1711 Plumbing, heating, and air conditioning.
- 1721 Painting, paper hanging, and decorating.
- 1731 Electrical work.
- 1740 Masonry, stonework, and plastering.

- 1750 Carpentering and flooring.
- 1761 Roofing and sheet metal work.
- 1771 Concrete work.
- 1781 Water well drilling.
- 1790 Miscellaneous special trade contractors.
- 1798 Other special trade contractors.

MANUFACTURING

- 2000 Food and kindred products:
 - 2010 Meat products.
 - 2020 Dairy products.
 - 2030 Preserved fruits and vegetables.
 - 2040 Grain mill products.
 - 2050 Bakery products.
 - 2060 Sugar and confectionery products.
 - 2081 Malt liquors and malt.
 - 2088 Alcoholic beverages, except malt liquors and malt.
 - 2089 Bottled soft drinks, and flavorings.
 - 2096 Other food and kindred products.
- 2100 Tobacco manufacturers.
- 2200 Textile mill products:
 - 2228 Weaving mills and *[sic.]* textile finishing.
 - 2298 Other textile mill products.
- 2300 Apparel and other textile products:
 - 2315 Men's and boy's clothing.
 - 2345 Women's and children's clothing.
 - 2388 Hats, caps, millinery, fur goods, and other apparel and accessories.
 - 2390 Misc. fabricated textile products.
- 2400 Lumber and wood products, except furniture:
 - 2415 Logging camps and logging contractors, sawmills and planing *[sic.]* mills.
 - 2430 Millwork, plywood, and related products.
 - 2498 Other wood products, including wood buildings, and mobile homes.
- 2500 Furniture and fixtures.
- Paper and allied products:
 - 2625 Pulp, paper, and board mills.
 - 2699 Other paper products.
- 2700 Printing, publishing, and allied products:
 - 2710 Newspapers.
 - 2720 Periodicals.
 - 2735 Books, greeting cards, and misc. publishing.

- 2799 Commercial and other printing and printing trade services.
- 2800 Chemicals and allied products:
 - 2815 Industrial chemicals, plastics materials, and synthetics.
 - 2830 Drugs.
 - 2840 Soap, cleaners, and toilet goods.
 - 2850 Paints and allied products.
 - 2898 Agricultural and other chemical products.
- Petroleum refining and related industries (including those integrated with extraction):
 - 2910 Petroleum refining (including those integrated with extraction).
 - 2998 Other petroleum and coal products.
- Rubber and misc. plastics products:
 - 3050 Rubber products; plastics footwear, hose, and belting.
 - 3070 Misc. plastics products.
- 3100 Leather and leather products:
 - 3140 Footwear, except rubber.
 - 3198 Other leather and leather products.
- 3200 Stone, clay, glass, and concrete products:
 - 3225 Glass products.
 - 3240 Cement, hydraulic.
 - 3270 Concrete, gypsum, and plaster products.
 - 3298 Other nonmetallic mineral products.
- 3300 Primary metal industries:
 - 3370 Ferrous metal industries; misc. primary metal products.
 - 3380 Nonferrous metal industries.
- 3400 Fabricated metal products, except machinery and transportation equipment:
 - 3410 Metal cans and shipping containers.
 - 3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
 - 3430 Plumbing and heating, except electric and warm air.
 - 3440 Fabricated structural metal products.
 - 3460 Metal forgings and stampings.
 - 3470 Coating, engraving, and allied services.
 - 3480 Ordinance and accessories, except vehicles and guided missiles.
 - 3490 Misc. fabricated metal products.
- 3500 Machinery, except electrical:
 - 3520 Farm machinery.
 - 3530 Construction, mining, and materials handling machinery and equipment.
 - 3540 Metalworking machinery.
 - 3550 Special industry machinery, except metalworking machinery.
 - 3560 General industrial machinery.

- 3570 Office, computing, and accounting machines.
- 3598 Engines and turbines, service industry machinery, and other machinery, except electrical.
- 3600 Electrical and electronic machinery, equipment, and supplies:
 - 3630 Household appliances.
 - 3665 Radio, television, and communication equipment.
 - 3670 Electronic components and accessories.
 - 3698 Other electric equipment.
- 3700 Transportation equipment:
 - 3710 Motor vehicles and equipment.
 - 3725 Aircraft, guided missiles, and parts.
 - 3730 Ship and boat building and repairing.
 - 3798 Other transportation equipment.
- Measuring and controlling instruments; photographic and medical goods, watches, and clocks:
 - 3815 Scientific instruments and measuring devices; watches, and clocks.
 - 3845 Optical, medical, and ophthalmic goods.
 - 3860 Photographic equipment and supplies.
- 3998 Other manufacturing products.

TRANSPORTATION, COMMUNICATION, ELECTRIC,
GAS, AND SANITARY SERVICES

Transportation:

- 4000 Railroad transportation.
- Local and interurban passenger transit:
 - 4121 Taxicabs.
 - 4189 Other passenger transportation.
- Trucking and warehousing:
 - 4210 Trucking, local and long distance.
 - 4289 Public warehousing and trucking terminals.
 - 4400 Water transportation.
 - 4500 Transportation by air.
 - 4600 Pipe lines, except natural gas.
 - 4700 Other transportation services.
 - 4722 Passenger transportation arrangement.
 - 4723 Freight transportation arrangement.
- 4800 Communication:
 - 4825 Telephone, telegraph, and other communication services.
 - 4830 Radio and television broadcasting.
- 4900 Electric, gas, and sanitary services:
 - 4910 Electric services.
 - 4930 Combination utility services.

4990 Water supply and other sanitary services.

WHOLESALE TRADE

Durable:

- 5008 Machinery, equipment, and supplies.
- 5010 Motor vehicles and automotive equipment.
- 5030 Lumber and construction materials.
- 5040 Sporting, recreational, photographic, and hobby goods, toys, and supplies.
- 5050 Metals and minerals, except petroleum and scrap.
- 5060 Electrical goods.
- 5070 Hardware, plumbing, and heating equipment.
- 5083 Farm machinery and equipment.
- 5089 Other machinery, equipment, and supplies.
- 5098 Other durable goods.

Nondurable:

- 5110 Paper and paper products.
- 5129 Drugs, chemicals, and allied products.
- 5130 Apparel, piece goods, and notions.
- 5140 Groceries and related products.
- 5150 Farm product raw materials.
- 5160 Chemicals and allied products.
- 5170 Petroleum and petroleum products.
- 5180 Alcoholic beverages.
- 5190 Misc. nondurable goods.

RETAIL TRADE

Building materials, hardware, garden supply, and mobile home dealers:

- 5220 Building materials dealers.
- 5231 Paint, glass, and wallpaper stores.
- 5251 Hardware stores.
- 5261 Retail nurseries and garden stores.
- 5265 Garden supplies and mobile home dealers.
- 5271 Mobile home dealers.

General merchandise:

- 5331 Variety stores.
- 5398 Other general merchandise stores.

Food stores:

- 5411 Grocery stores.
- 5420 Meat and fish markets and freezer provisioners.
- 5431 Fruit stores and vegetable markets.
- 5441 Candy, nut, and confectionery stores.

5451 Dairy products stores.

5460 Retail bakeries.

5490 Other food stores.

Automotive dealers and service stations:

5511 New car dealers (franchised).

5521 Used car dealers.

5531 Auto and home supply stores.

5541 Gasoline service stations.

5551 Boat dealers.

5561 Recreational vehicle dealers.

5571 Motorcycle dealers.

5598 Other automotive dealers.

5599 Aircraft, and other automotive dealers.

Apparel and accessory stores:

5611 Men's and boy's clothing and furnishing.

5621 Women's ready-to-wear stores.

5631 Women's accessory and speciality stores.

5641 Children's and infants' wear stores.

5651 Family clothing stores.

5661 Shoe stores.

5681 Furriers and fur shops.

5699 Other apparel and accessory stores.

Furniture, home furnishing and equipment stores:

5712 Furniture stores.

5713 Floor covering stores.

5714 Drapery, curtain, and upholstery stores.

5719 Home furnishings, except appliances.

5722 Household appliance stores.

5732 Radio and television stores.

5733 Music stores.

Eating and drinking places:

5812 Eating places.

5813 Drinking places.

Miscellaneous retail stores:

5912 Drug stores and proprietary stores.

5921 Liquor stores.

5931 Used merchandise stores.

5941 Sporting goods stores and bicycle shops.

5942 Book stores.

5943 Stationery stores.
5944 Jewelry stores.
5945 Hobby, toy, and game shops.
5946 Camera and photographic supply stores.
5947 Gift, novelty, and souvenir shops.
5948 Luggage and leather goods stores.
5949 Sewing, needlework, and piece goods stores.
5961 Mail order houses.
5962 Merchandising machine operators.
5963 Direct selling organizations.
5982 Fuel and ice dealers (except fuel oil and bottled gas dealers).
5983 Fuel oil dealers.
5984 Liquefied petroleum gas (bottled gas) dealers.
5992 Florists.
5993 Cigar stores and stands.
5994 News dealers and newsstands.
5996 Other miscellaneous retail stores.

FINANCE, INSURANCE, AND REAL ESTATE

6000 Banking:

6030 Mutual savings banks.
6060 Bank holding companies.
6090 Bank, except mutual savings banks and bank holding companies.

6100 Credit agencies other than banks:

6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.

Security, commodity brokers, dealers, exchanges, and services:

6210 Security brokers, dealers, and flotation companies.
6212 Security underwriting syndicates.
6218 Security brokers and dealers, except underwriting syndicates.
6299 Commodity contracts brokers and dealers; security and commodity exchanges, and allied services.

Insurance:

6355 Life insurance.
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and services.

Real Estate:

6511 Real estate operators (except developers) and lessors of buildings.

- 6516 Lessors of mining, oil, and similar property.
- 6518 Lessors of railroad property and other real property.
- 6520 Lessors of real property other than buildings.
- 6530 Condominium management and cooperative housing associations.
- 6531 Real estate agents, brokers, and managers.
- 6541 Title abstract offices.
- 6552 Subdividers [*sic.*] and developers, except cemeteries.
- 6553 Cemetery subdividers [*sic.*] and developers.
- 6599 Other real estate.
- 6611 Combined real estate, insurance, loans, law offices.

Holding and other investment companies:

- 6742 Regulated investment companies.
- 6743 Real estate investment trusts.
- 6744 Small business investment companies.
- 6746 Investment clubs.
- 6747 Common trust funds.
- 6748 Other holding and investment companies.
- 6749 Holding and other investment companies, except bank holding companies. SERVICES

Hotels and other lodging places:

- 7012 Hotels.
- 7013 Motel, motor hotels, and tourist courts.
- 7021 Rooming and boarding houses.
- 7032 Sporting and recreational camps.
- 7033 Trailer parks and camp sites.
- 7041 Organizational hotels and lodging houses on a membership basis.

Personal services:

- 7215 Coin-operated laundries and dry cleaning.
- 7219 Other laundry, cleaning, and garment services.
- 7221 Photographic studios, portrait.
- 7231 Beauty shops.
- 7241 Barber shops.
- 7251 Shoe repair and hat cleaning shops.
- 7261 Funeral services and crematories.
- 7299 Miscellaneous personal services.

Business services:

- 7310 Advertising.
- 7340 Services to buildings.
- 7370 Computer and data processing services.
- 7392 Management, consulting, and public relations services.

7394 Equipment rental and leasing.

7398 Other business services.

Automotive repair and services:

7510 Automotive rentals and leasing, without drivers.

7520 Automobile parking.

7531 Automobile top and body repair shops.

7538 General automobile repair shops.

7539 Other automotive repair shops.

7540 Automotive services, except repair.

Miscellaneous repair services:

7622 Radio and TV repair shops.

7628 Electrical repair shops, except radio and TV.

7641 Reupholstery and furniture repair.

7680 Other miscellaneous repair shops.

Motion pictures:

7812 Motion picture and video tape production, distribution, and services.

7830 Motion picture theaters.

Amusement and recreation services:

7920 Producers, orchestras, and entertainers.

7932 Billiard and pool establishments.

7933 Bowling alleys.

7941 Professional sports clubs and promoters.

7948 Racing, including track operation.

7980 Other amusement and recreation services.

Medical and health services:

8011 Offices of physicians.

8021 Offices of dentists.

8031 Offices of osteopathic physicians.

8040 Offices of other health practitioners.

8041 Offices of chiropractors.

8042 Offices of optometrists.

8048 Registered and practical nurses.

8050 Nursing and personal care facilities.

8060 Hospitals.

8071 Medical laboratories.

8072 Dental laboratories.

8098 Other medical and health services.

Other services:

8111 Legal services.

- 8200 Educational services.
- 8300 Social services.
- 8600 Membership organizations.
- 8651 Political organizations.
- 8799 Misc. services.
- 8911 Engineering and architectural services.
- 8932 Certified public accountants.
- 8933 Other accounting, auditing, and bookkeeping services.
- 8999 Other services, not elsewhere classified.

(State Board of Tax Commissioners; 50 IAC 4.2-14-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 884, eff Mar 1, 1989)

Rule 15. Prescribed Methods of Valuation; Specific Types of Property

50 IAC 4.2-15-1 Subjects covered; incorporation of “directives”; availability
 Authority: IC 6-1.1-31-1
 Affected: IC 6-1.1-31

Sec. 1. (a) The state board has previously issued “directives” to interpret the property tax laws and rules and to set forth state board policies. These directives, previously designated as D78-1, D78-2, etc., have been repealed and replaced by this rule. Sections 2 through 14 of this rule, prescribe the methods of valuation for specific types of property. These sections are not included in the printing of this article as provided to local assessing officials for general distribution to taxpayers. Taxpayers with property for which a specific valuation method has been prescribed may obtain a copy of the appropriate section(s) from the assessor of the county where the property is located.

(b) The following summarizes the remaining sections of this rule:

- 50 IAC 4.2-15- 2 Assessment of boats, motors, boat trailers, campers, camping trailers, travel trailers, pick-up truck campers, fold down campers, snowmobiles, off-road vehicles, self-propelled motor homes, nonfactory produced units (homemade), antique cars, and aircraft
- 50 IAC 4.2-15- 3 Penalty provisions which apply to Form 101, individual's tangible personal property return, place of assessment, and evidence of filing
- 50 IAC 4.2-15- 4 Assessment of servicemen for personal property
- 50 IAC 4.2-15- 5 Assessment of grain in storage
- 50 IAC 4.2-15- 6 Assessment of farm commodities and livestock
- 50 IAC 4.2-15- 7 Assessment of refined petroleum products, marketing equipment, crude oil, and natural gas at wellhead
- 50 IAC 4.2-15- 8 Assessment of leased data processing equipment

50 IAC 4.2-15- Assessability of state and federal taxes on liquor, wine, beer, and cigarettes including
9 goods held in bonded warehouse
50 IAC 4.2-15- Assessment of used equipment, appliances, vehicles, and other tangible personal property
10
50 IAC 4.2-15- Reporting requirements and disclosure information
11
50 IAC 4.2-15- Assessment of outdoor advertising signs
12
50 IAC 4.2-15- Assessment of interstate motor truck carriers under the international registration program
13
50 IAC 4.2-15- Present value of personal property leases
14
(*State Board of Tax Commissioners; 50 IAC 4.2-15-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 888, eff Mar 1, 1989*)

50 IAC 4.2-15-2 Assessment of boats, motors, boat trailers, campers, camping trailers, travel trailers, pick-up truck campers, fold down campers, snowmobiles, off-road vehicles, self-propelled motor homes, nonfactory produced units (homemade), antique cars, and aircraft

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31; IC 6-6-5; IC 6-6-6.5; IC 9-18-12-6

Sec. 2. (a) Under 50 IAC 4.2-7, this section is promulgated to instruct assessing officials and affected taxpayers in the proper procedure for determining the true tax value of the above types of personal property not used in business and non-depreciable (not allowable) for federal income tax purposes.

(b) The types of property to be assessed under this section will usually be owned by an individual not engaged in business and are to be reported on Form No. 101 (50 IAC 4.2-2-9). The assessor will be required, as in the past, to determine or verify the true tax value of such property as reported by the taxpayer.

(c) The following books are published by Inter Tech Publishing Corp., P.O. Box 12901, Overland Park, Kansas 66212 and are hereby prescribed by the state board for 1989 and future years unless expressly repealed. The publications are the current versions of those prescribed in prior years. Those publications which are in effect on March 1 of the year in which the assessment is to be made are hereby authorized unless, by an amendment of this section at a future date, a different publication is prescribed.

(1) Outboard Motor Trade-In Guide Blue Book.

(2) Inboard and Outdrive Boat Trade-In Guide Blue Book.

(3) Outboard Boat Trade-In Guide Blue Book.

(4) Boat Trailer Trade-In Guide Blue Book.

(5) Sailboat Trade-In Guide Blue Book.

(6) Pontoon House Boat Trade-In Guide Blue Book.

(7) Truck Campers and Motor Home Trade-In Guide.

(8) Camping Trailer and Travel Trailer Trade-In Guide.

(9) Official Snowmobile and ATV Trade-In Guide.

(d) "Estimated current values less repairs high" listed in the above publications shall be the basis for assessment of all prior year models. The F.O.B. prices shall be the basis for the assessment of all current

models. To these prices shall be added the value of all special equipment.

(e) In the event a particular make or model is not included in said publications or list of unit valuations adopted by the state board, such personal property shall be valued at its true tax value. The "true tax value" shall be the cost less a reasonable allowance for depreciation.

(f) All units which are owned, held, possessed, or controlled by a manufacturer or dealer of this type of personal property shall be assessed as inventory pursuant to this article. Also, this section shall not be used for the assessment of units used in the ordinary operation of a trade or business, which units shall be assessed on the basis of 50 IAC 4.2-2, and reported in the pools of Schedule A on Form 102 or 103 (50 IAC 4.2-2-9).

(g) All units shall be listed in the tax return at their full value and assessed at thirty-three and one-third percent (33 $\frac{1}{3}$ %) of that value.

(h) IC 6-6-5 and IC 9-7-6 [*IC 9-7-6 repealed by P.L.2-1991, SECTION 109.*], provide that antique cars are no longer subject to assessment and taxation as personal property. Also, IC 6-6-6.5, provides for the taxation of airplanes under the aircraft license excise tax and thus eliminates these items from assessment and taxation as personal property.

(i) In order to clarify any confusion existing as to whether camping trailers or travel trailers are to be assessed as personal property on Form 101 (50 IAC 4.2-2-9), or as a mobile home, the board has considered the applicable statutes as follows:

(1) Generally, the subject property is considered to be recreational type equipment as compared to mobile homes which are considered to be of a permanent dwelling nature. Annual licensing of subject property is statutorily required if operated on the roads and highways, therefore, if licensed, the property is assessable as personal property.

(2) In certain instances this type of property is placed at a site for a period of time which would not require an annual license for a particular year or years, i.e., left at a vacation or recreation site on a year round basis. Such property shall be assessed where such property is located on the assessment date as either personal property or a mobile home in accordance with definitions contained in such rules and in accordance with the description, circumstances, and use of such property.

(j) Pick-up truck campers are assessable as personal property even though a license for the camper unit itself is not presently required. Assessors must be especially observant in order to assess all such units in their jurisdictions.

(k) "Boat" means any watercraft by which a person may be transported upon the public waters of this state, and it includes every motorboat, sailboat, rowboat, skiff, dinghy, or canoe of whatever length or size.

(l) IC 14-1-3 [*IC 14-1 was repealed by P.L.1-1995, SECTION 91, effective July 1, 1995.*] and IC 14-1-3.5 [*IC 14-1 was repealed by P.L.1-1995, SECTION 91, effective July 1, 1995.*] pertaining to the department of natural resources defines [*sic.*] "snowmobiles" and "off-road vehicles" as motor driven vehicles capable of cross country travel, without benefit of a road or trail, on or immediately over land, water, snow, ice, marsh, swampland, or other natural terrain. It does not include a farm vehicle being used for farming, a vehicle used for military or law enforcement purposes, construction, mining, other industrial related vehicles used in performance of its common function, and does not include for registration any other vehicle properly registered by the bureau of motor vehicles. No snowmobile or off-road vehicle shall be operated unless registered by the owner. However, registration is not required for vehicles operated exclusively on lands owned or under the control of the vehicle owner or with his permission.

(m) As such, these vehicles are subject to assessment as personal property on Form 101 (50 IAC 4.2-2-9). These vehicles are similar to pick-up truck campers in that the assessor in many cases will have no registration certificate to aid him. As previously mentioned, the lack of a registration certificate does not render

this type of personal property nonassessable.

(n) Reasonable allowance for depreciation (for units not included in prescribed publications). The cost of the subject property shall be multiplied by the percentage factor reflected below, based on the model year, to determine its true tax value:

<u>Model Year</u>	<u>Cost</u>	<u>True Tax Value</u>
Current Year		75%
Second Year		56%
Third Year		42%
Fourth Year		32%
Fifth Year		24%
Sixth Year		18%
Seventh Year and Older		15%

(State Board of Tax Commissioners; 50 IAC 4.2-15-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 889, eff Mar 1, 1989)

50 IAC 4.2-15-3 Penalty provisions which apply to Form 101, Individual's Tangible Personal Property Return, place of assessment, and evidence of filing

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 3. (a) The state board has had several questions from assessing officials regarding the proper application of penalties to Form 101, Individual's Tangible Personal Property Assessment Return (50 IAC 4.2-2-9). This section briefly explains the various penalty provisions which may apply to Form 101 (50 IAC 4.2-2-9).

(b) Penalties for failure to file and late assessment penalties. When the Form 101 (50 IAC 4.2-2-9) is not filed on or before the due date (generally May 15), a penalty of twenty-five dollars (\$25) shall be added by the county auditor to the property tax installment next due for the return. An additional penalty, twenty percent (20%) of the taxes finally determined to be due, shall be added by the county auditor if the required personal property assessment return is not filed within thirty (30) days after the due date. These penalties are provided in IC 6-1.1-37-7(a) and are due with an installment whether or not an appeal is filed with respect to the taxes due on that installment (IC 6-1.1-37-7(f)).

(c) Undervalued personal property penalty. The valuation of personal property on Form 101 (50 IAC 4.2-2-9), is somewhat unique, since the value of the property is determined by using publications (as prescribed in section 1 of this rule), to which the taxpayer rarely has access. In fact, the law allows the taxpayer to list property on his/her return without a value. The assessor (who has access to the proper publications) will then place a value on the property listed.

If an assessing official or board changes a valuation made by a person on his personal property return or adds personal property and its value to a return, the assessing official or board shall, by mail, immediately give the person notice of the action taken. However, if a taxpayer lists property on his return but does not place a value on the property, a notice of the action of an assessing official or board in placing a value on the property is not required. (IC 6-1.1-3-20)

Given this procedure, the undervalued personal property penalty (IC 6-1.1-37-7(e)), would not apply to situations where a taxpayer has listed his/her property, but has not placed a value on it.

If the total assessed value that a person reports on a personal property return is less than the total

assessed value that the person is required by law to report and if the amount of the undervaluation exceeds five percent (5%) of the value that should have been reported on the return, then the county auditor shall add a penalty of twenty percent (20%) of the additional taxes finally determined to be due as a result of the undervaluation. The penalty shall be added to the property tax installment next due for the return on which the property was undervalued. If a person has complied with all of the requirements for claiming a deduction, an exemption, or an adjustment for abnormal obsolescence, then the increase in assessed value that results from a denial of the deduction, exemption, or adjustment for abnormal obsolescence is not considered to result from an undervaluation for the purposes of this subsection. (IC 6-1.1-37-7(e))

A taxpayer who does not place a value on property properly listed on Form 101 (50 IAC 4.2-2-9) cannot be given a penalty for undervaluing his/her property when he/she does not have access to the proper publications.

Likewise, a taxpayer who attempts to place a value on his/her property without the benefit of the proper publication, should not be given the undervaluation penalty. However, any property not listed on the return by the taxpayer would be subject to the undervaluation penalty.

EXAMPLE

A taxpayer owns both a boat and a camper. The boat is reported for assessment (on Form 101 (50 IAC 4.2-2-9)) but no value is listed. The camper is not reported for assessment. The boat is not subject to the undervaluation penalty even though the value was not listed. The camper would be subject to the penalty since it was not reported for assessment.

(d) Duplicate return requirement. When a taxpayer, who is a resident in one (1) township, owns personal property, e.g., a boat, regularly used or permanently located in a second township, the taxpayer must report the property for assessment in the second township. When this situation occurs, the law requires that:the owner of the property shall provide, within forty-five (45) days after the filing deadline, a copy or other written evidence of the filing of the return to the assessor of the township in which the owner resides. (IC 6-1.1-3-1(d))

When a taxpayer fails to provide the proof required above (normally a copy of the filed return), the property is still assessed where it is regularly used or permanently located, but the taxpayer must pay a penalty to the township in which he/she resides.

A person who fails to provide, within forty-five (45) days after the filing deadline, evidence of the filing of a personal property to the assessor of the township in which the owner resides, as required under IC 6-1.1-3-1(d) shall pay, to the township in which the owner resides, a penalty equal to ten percent (10%) of the tax liability. (IC 6-1.1-37-7.5)

(e) Penalty for failing to include all required information on the return form. P.L. 71-1985, amended certain penalty provisions of IC 6-1.1-37-7 to allow for the imposition of a twenty-five dollar (\$25) penalty when a taxpayer fails to include all of the information required.

If a person subject to IC 6-1.1-3-7(d) fails to include on a personal property return the information, if any, that the state board of tax commissioners requires under IC 6-1.1-3-9 or IC 6-1.1-5-13 the county auditor shall add a penalty to the property tax installment next due for the return. The amount of the penalty is twenty-five dollars (\$25). (IC 6-1.1-37-7(d))

Only taxpayers subject to IC 6-1.1-3-7(d) fall under this provision. IC 6-1.1-3-7(d) provides:

If the sum of the assessed values reported by a taxpayer on the business personal property returns which he files with the township or county assessor for a year exceeds fifteen thousand dollars (\$15,000), he shall file each of the returns in duplicate.

The penalty applies only to business personal property returns (i.e., Forms 102 and 103 (50 IAC 4.2-2-9)), with an assessed value of more than fifteen thousand dollars (\$15,000). The penalty does not apply to Form 101 (50 IAC 4.2-2-9). (*State Board of Tax Commissioners; 50 IAC 4.2-15-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 891, eff Mar 1, 1989*)

50 IAC 4.2-15-4 Assessment of servicemen for personal property

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31; IC 6-1.1-37-7

Sec. 4. (a) This section clarifies the liability of persons in the military or naval service for assessment and payment of personal property taxes in the state of Indiana. The Federal Soldiers' and Sailors' Civil Relief Act, as found in 50 U.S.C.A. Appendix, Section 574, provides as follows:

“(1) For the purposes of taxation in respect of any person, or of his personal property, income, or gross income, by any State, Territory, possession, or political subdivision of any of the foregoing, or by the District of Columbia, such person shall not be deemed to have lost a residence or domicile in any State, Territory, possession, or political subdivision of any of the foregoing, or in the District of Columbia, solely by reason of being absent therefrom in compliance with military or naval orders, or to have acquired a residence or domicile in, or to have become a resident in or a resident of, any other State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia, while, and solely by reason of being, so absent. For the purposes of taxation in respect of the personal property, income or gross income of any such person by any State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia, of which such person is not a resident or in which he is not domiciled, compensation for military and naval service shall not be deemed income for services performed within, or from sources within, such State, Territory, possession, political subdivision, or District, and personal property shall not be deemed to be located or present in or to have a situs for taxation in such State, Territory, possession, political subdivision, or District. Where the owner of personal property is absent from his residence or domicile solely by reason of compliance with military or naval orders, this section applies with respect to personal property, or use thereof, within any tax jurisdiction other than such place of residence or domicile, regardless of where the owner may be serving in compliance with such orders: Provided, That nothing contained in this section shall prevent taxation by any State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia in respect of personal property used in or arising from a trade or business, if it otherwise has jurisdiction. This section shall be effective as of September 8, 1939, except that it shall not require the crediting or refunding of any tax paid prior to October 6, 1942.”

The purpose thereof was to protect servicemen from having to pay taxes to states in which they were serving pursuant to military order, which state was not the state of residence by choice of the serviceman.

(b) Indiana law does not provide an exemption from tax liability with respect to servicemen who are residents of Indiana but rather provides that all personal property shall be assessed to the owner in the township, town, or city which is that of his residence on the first day of March each year.

(c) Mobile homes, if classified and assessed pursuant to 50 IAC 3.1 for Assessment of Mobile Homes (Regulation 13) and when owned by a serviceman who is a nonresident of Indiana, on duty in Indiana pursuant to military or naval orders, such mobile home is exempt from taxation by the state of Indiana even though physically located in this state, pursuant to the Soldiers' and Sailors' Civil Relief Act. Based upon the foregoing, we are summarizing below the effect of the Soldiers' and Sailors' Civil Relief Act and the laws of the state of

Indiana upon the assessment and payment of taxes by a serviceman in the state of Indiana:

(1) Any serviceman who is a resident of another state, but who is temporarily stationed in Indiana pursuant to military or naval orders, is exempt from assessment and payment of personal property taxes in this state, except that used in a trade or business. However, the burden of proof is upon the serviceman and he should exhibit to the assessor evidence of the fact that he is a legal resident of another state. This evidence may be either a statement from the commanding officer, copy of orders to report for active duty, official military personnel identification card, or any other document which would disclose the place of the serviceman's residence or domicile to be other than Indiana.

(2) Personal property located in Indiana belonging to a nonresident serviceman, not used in trade or business, is exempt from assessment and taxation even though such is left with his wife, dependents, or others, in those situations in which he has been transferred to another state or overseas pursuant to military order.

(3) The exemption under subdivisions (1) and (2) would also extend to a mobile home of any nonresident serviceman.

(4) The above exemptions do not extend to personal property used in or arising from a trade or business, in which case a nonresident serviceman is subject to assessment therefore in the same manner as an Indiana resident.

(5) Any serviceman who is a legal resident of the state of Indiana is subject to assessment in this state.

(6) By the provisions of IC 6-1.1-37-7, the penalties for failure to file an assessment return shall not be applicable to any person, or the dependents of any person, in the military or naval forces of the United States on the assessment date covered by the provisions of the Federal Soldiers' and Sailors' Civil Relief Act.

(State Board of Tax Commissioners; 50 IAC 4.2-15-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 892, eff Mar 1, 1989)

50 IAC 4.2-15-5 Assessment of grain in storage

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 5. In order to provide for a uniform method of assessment of grain in storage, the state board has made the following determinations:

(1) Grain stored where produced. Grain stored on the farm or where produced shall be assessed and taxable in the taxing district where stored to the person who is the owner of said grain.

(2) Grain stored in a warehouse or grain storage facility: (A) Warehouse receipt grain. Grain stored in a warehouse or grain storage facility on which a commodity credit corporation loan has been made and/or stored under the Federal Warehousing Act shall be assessed and taxable in the taxing district where stored to the persons in whose name the warehouse receipt is outstanding. This type of grain can only be stored at facilities which are licensed and bonded under the Agricultural Commodities Warehousing Licensing and Bonding Law. Upon delivery of this grain to an elevator or other grain storage facility, the owner of said grain will receive a warehouse receipt stamped to indicate that said grain will be put into warehouse storage. The elevator or other grain storage facility is required to maintain sufficient grain in inventory at all times to cover kind, quantity, and grade equal to its storage obligations.

The warehouse receipt is a negotiable document and is accepted by county ASCS offices in obtaining commodity credit corporation loans.

The elevator or other storage facility will collect storage, drying, shipping, or handling charges from the owner of said grain.

(B) Open storage grain and grain bank. Grain stored at an elevator or other grain storage facility under conditions whereby the owner of the grain may subsequently have the grain returned, or may sell such grain, or exchange such stored grain for other commodities, and a grain receipt (including scale ticket or other depository paper) is given, shall be taxable in the taxing district where stored to the owner of such grain. The person in whose name such receipt or scale ticket is outstanding shall be presumed to be the owner of said grain. Where grain has been taken for storage at elevator (A) or other grain storage facility and all or part of such grain has been so relocated that the full quantity of grain covered by outstanding receipts cannot be taxed to the persons owning the receipt issued for such grain, the remaining grain shall be assessed where physically located to elevator (A) or the grain storage facility which caused the grain to be so relocated.

Open storage grain represents a situation whereby the owner delivers grain to an elevator or other storage facility and is charged for storage and drying costs. In return, the depositor of said grain retains ownership and control over the grain as evidenced by the receipt (scale ticket) which should indicate "for storage only". Many times this type of grain is used for trade to purchase commodities that the elevator or other storage facility would sell, such as fertilizer, chemicals, feed, etc.

Grain bank grain is usually delivered by the owner to the elevator or other storage facility at harvest time for temporary storage. At time of delivery to the storage facility a scale ticket will be issued designating "grain bank storage" and the elevator or other storage facility will maintain perpetual inventory records designating: owner's name and address, date of receipt and delivery, type and quantity of grain, balance, etc. Storage charges are usually lower than those charged for "open storage" because the storage facility benefits from the sale of supplements and additives when the depositor has the grain returned in the form of feed for livestock.

(C) The owner of grain shall file an assessment return declaring the assessment and liability for taxes in each taxing district where said grain was located as of March 1 of each assessment year.

Every elevator or other storage facility shall file a true and complete list of all owners to be assessed, including name and address, description, quantity, etc., for any property which it may hold, possess, or control in any capacity whatsoever on the assessment date and attach same as a part of its business personal property assessment return Form 103 (50 IAC 4.2-2-9).

In the event an elevator or other storage facility does not furnish a listing of property held, possessed, or controlled as of the assessment date so as to enable the property to be assessed and taxed to the owner, then the assessor shall assess and tax said property to the elevator or other storage facility so holding, possessing, or controlling the property.

(3) Grain owned by the elevator or other storage facility. All grain owned by an elevator or other storage facility must be reported on Form 103 (50 IAC 4.2-2-9) at the prices established by this board. Grain under a purchase contract and not in possession of the purchaser shall be taxed to the owner or seller of such grain to the extent that such grain has not been paid for and shall be taxed to the purchaser to the extent that payment has been made for such grain.

Grain delivered to the elevator or other storage facility under "price later" or "deferred pricing" contracts becomes the property of the elevator at the time of delivery and shall be assessed and taxed to the elevator if on hand on the assessment date. The actual purchase price for price later or deferred pricing grain has not yet been determined at the time of delivery to the elevator, however, all fungible whole grain commodities must be valued at the same prices by everyone throughout the state of Indiana

and these prices will be established annually by this board.

The seller (farmer) is assessable for "price later" grain until delivery is made to the elevator at which time title, possession, and control is transferred to the elevator. At the time of delivery to the elevator or other storage facility the depositor receives a receipt (scale ticket) designating "deferred payment". Grain taken over or otherwise owned by the federal government shall be reported on the personal property assessment Form 103 (50 IAC 4.2-2-9) by the elevator or grain storage facility as being in its possession, however, no assessment shall be made on such grain since a deduction may be taken as "exempt" on such property.

All grain owned, held, possessed, or controlled must be reported by the taxpayer filing the return. If the taxpayer filing the return is not liable for the assessment of grain held, possessed, or controlled then he must file a true and complete list of those liable for said assessment.

All fungible whole grain commodities must be valued at the prices published annually by the state board.

All purchased supplies, other than fungible whole grain, must be reported at their total purchase price, including freight-in, with the thirty-five percent (35%) valuation adjustment deducted to arrive at true tax value.

(State Board of Tax Commissioners; 50 IAC 4.2-15-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 893, eff Mar 1, 1989)

50 IAC 4.2-15-6 Assessment of farm commodities and livestock

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 6. (a) Under 50 IAC 4.2-5-1 and 50 IAC 4.2-7-1(b) the state board will prescribe the values to be utilized for the assessment of farm livestock and commodities in order to provide for a uniform method of assessment throughout the state of Indiana.

(b) In determining the values to be utilized for the assessment of farm livestock and commodities, the state board will consult with the agriculture department of Purdue University to determine the cost of production of fungible whole grain commodities and livestock as well as take into consideration the market value of said products as of the assessment date. After determining the values of the various fungible whole grain commodities, livestock and poultry, the state board will consult with the farm committee prior to adopting the values to be utilized for the particular assessment year involved.

(c) In accordance with the Indiana Court of Appeals decision in *Lyon and Greenleaf Co., Inc. v. State Board of Tax Commissioners*, each fungible whole grain commodity must be assessed at the same value throughout the state of Indiana, regardless of ownership or effect of location on value, so long as the commodity is in its fungible raw condition.

However, certain livestock, poultry, seed, or other commodities with substantially more value than reflected in the values adopted by the state board must be reported at their true tax value. (Examples would be show horses, show livestock, prize race horses, and seeds.)

(d) The values adopted by the state board will be issued on an annual basis.

(e) Place of filing. A personal property tax return must be filed in each taxing district where property has a tax situs. A return may cover all business locations in a single township. However, if the property is located in two (2) or more taxing districts within the same township, a separate return must be filed reporting the property in each of the taxing districts. *(State Board of Tax Commissioners; 50 IAC 4.2-15-6; filed Dec 7,*

1988, 9:35 a.m.: 12 IR 894, eff Mar 1, 1989)

50 IAC 4.2-15-7 Assessment of refined petroleum products, marketing equipment, crude oil, and natural gas at wellhead

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 7. (a) Under 50 IAC 4.2-7-1 the following procedures will be utilized by the state board to determine the prices to be used for the assessment of certain petroleum products.

(b) The products covered by this section include crude oil, natural gas, grease, gasoline (all grades), motor oil (all grades), LP gas, and distillate fuel. Distillate fuel includes kerosene, fuel oil, tractor fuel, jet fuel, and diesel fuel.

(c) The price to be utilized for the valuation of crude oil and other petroleum products will be based upon commodity prices reported in the Oil Daily, Oil and Gas Journal, and the Wall Street Journal as of March 1 of the assessment year. Since these prices must be as of March 1 of each assessment year, we will issue the actual prices for each of these commodities shortly after March 1 of the assessment year.

(d) Inventories of these commodities at the refinery will be valued at the total cost pursuant to 50 IAC 4.2-5 while inventories of these same items at the other levels of trade, namely the terminal, bulk plant, and retail stations will be valued to include the sum of the applicable expenditures and charges directly or indirectly incurred to bring these items to their existing condition and location as of the assessment date.

(e) All petroleum prices shall be listed in the return at the prices adopted by the state board less the normal thirty-five percent (35%) valuation adjustment as provided in 50 IAC 4.2-5-13 and assessed at thirty-three and one-third percent (33 $\frac{1}{3}$ %) of that value.

(f) Under 50 IAC 4.2-7-2 the state board has determined in order to provide for a uniform method of assessment as set out in 50 IAC 4.2-4-5 and to obtain equalization in the assessment of petroleum industry marketing facilities, the state board establishes the useful life of all tangible personal property used in the marketing of petroleum products as being twelve (12) years with all such property being segregated into Pool No. 3 for Indiana property tax purposes. (*State Board of Tax Commissioners; 50 IAC 4.2-15-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989*)

50 IAC 4.2-15-8 Assessment of leased data processing equipment

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 8. (a) In recognition of the fact that certain intangible charges may be included in the base year value of the subject equipment, the board has authorized the following adjustment procedure:

(1) Base year value for leased data processing equipment shall be the current commercial published selling price for new equipment.

(2) If the current selling price as defined in subdivision (1) includes charges for one (1) or more of the following customer support services, such charges shall be allowable as an adjustment to base year value in Column B, Form 103 (50 IAC 4.2-2-9), to the extent that such charges can be segregated from the total selling price, supported by adequate records and such adjustments clearly shown on Form 106 (50 IAC 4.2-2-9). Customer support services shall be limited to:

(A) Educational services. Training and instruction in the use of electronic data processing

equipment provided to the user thereof, such as on site education, classroom instruction, and educational publications.

(B) Maintenance. This would be tests, measurements, replacements, adjustments, and repairs intended to keep data processing equipment in satisfactory working condition.

(C) Application software. The application program is a written sequence of instructions which details the operations the equipment is to perform in order to achieve a specific objective of the user.

Any adjustment for the above enumerated purposes must be factually documented by the taxpayer and shall not exceed ten percent (10%) of the total base year valuation of subject equipment.

(b) If there is a question as to the qualification of certain items under this section, the taxpayer may request an administrative adjudication determination pursuant to the provisions of 50 IAC 4.2-1-6. The state board will review each request and issue its determination based upon the facts and evidence submitted by the taxpayer. (*State Board of Tax Commissioners; 50 IAC 4.2-15-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989*)

50 IAC 4.2-15-9 Assessability of state and federal taxes on liquor, wine, beer, and cigarettes including goods held in bonded warehouse

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 9. (a) Federal taxes, except income taxes, are considered to be part of the taxable cost of the product for inventory valuation purposes at all levels of trade.

(b) State taxes, without exception, are considered to be part of the taxable cost of the subject products at the retail level for inventory valuation purposes.

(c) In order to instruct taxpayers and local assessing officials in the proper procedure to be followed for inventory valuation purposes, the following information is provided:

(1) Assessability of state excise taxes paid or incurred on liquor and/or wine inventories. State excise taxes are paid or incurred by wholesalers upon their purchase of liquor and/or wine. Therefore, the amount of state excise taxes paid or incurred on goods in inventory on March 1 must be included in determining the cost of those goods for property tax purposes.

(2) Assessability of state taxes on beer and cigarettes:

(A) Beer excise tax. The per case tax levied on beer at the brewery becomes part of the taxable inventory value at the wholesale and retail level of trade. Since this tax is levied on the sale by the brewery, such tax is not assessable to the brewer for his inventory on hand March 1.

(B) Cigarette tax stamps. Tax stamps which have been affixed to cigarettes at the wholesale level become part of the taxable inventory value at the wholesale and retail level of trade.

Following is a summary of the assessability of state and federal taxes at the various levels of trade:

	Federal Taxes	State Taxes
Distillers/Manu- facturers	Assessable	Not assessable
Wholesalers	Assessable	State taxes on beer, liquor, and wine are assessable. Tax stamps if affixed on cigarettes

are assessable.

Retailers

Assessable

Assessable

(3) Assessability of goods held in bond. Goods held in bond on March 1 includes [*sic.*] products which are imported from foreign countries and placed in the custody of agents of the federal government until custom duties and federal excise taxes, imposed by the federal government, have been paid. Federal law permits the importation of alcoholic beverages into this country and the transportation of same to a port of entry within the inland United States without the payment of custom duties or federal excise taxes. However, these goods must then be stored in a separately designated enclosed area (bonded warehouse), which is normally owned by the taxpayer but under the custody of a federal customs and excise tax agent, until the taxpayer (consignee) desires to pay the duties and taxes and take possession of the goods.

Customs duty and federal excise taxes on “goods held in bond” are not due and payable until such time as the goods are withdrawn from bond, therefore, these costs are not includable in determining the cost of bonded inventories for property tax purposes.

Since the taxpayer has incurred a liability or paid the foreign source for the cost of the imported goods in bond he is considered the owner of such goods. It is he who controls when the goods will be withdrawn from the bonded warehouse by paying the customs duty and federal excise tax. Also, consideration was given to the fact that the goods in custom bond receive the same local services, such as police and fire protection, as do the domestically produced goods which are also subject to personal property taxes. These goods have arrived at their destination in the bonded warehouse and are assessable in the amount of the purchased cost of the merchandise, (excluding custom duty and federal excise tax), plus freight in to the location of the bonded warehouse and allocable expenses (50 IAC 4.2-5-5(c)).

(*State Board of Tax Commissioners; 50 IAC 4.2-15-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 896, eff Mar 1, 1989*)

50 IAC 4.2-15-10 Assessment of used equipment, appliances, vehicles, and other tangible personal property

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 10. (a) Under 50 IAC 4.2-7-1 this section is promulgated for the purpose of valuing the subject personal property.

(b) Used equipment and appliances. Used equipment under this section, shall include but not be limited to, automobiles, trucks, farm implements, campers, camping equipment, mobile homes, household appliances, and any other personal property of any nature purchased, taken in trade, otherwise being held for sale in the ordinary course of a trade or business, or held for the production of income.

(c) Used equipment held for sale as defined herein shall be reported as inventory at cost pursuant to 50 IAC 4.2-5-5 with the following exceptions:

(1) When cost is lower than average wholesale value (low trade-in value less repairs) as specified in the prescribed publications, the average wholesale value (low trade-in value less repairs) shall be the reported value.

(2) When cost is greater than average retail value (high trade-in value less repairs) as specified in the

prescribed publications, the average retail value (high trade-in value less repairs) shall be the reported value.

(d) Prescribed publications:

Automobiles. Current Red Book, Official Used Car Valuation for Region A, published by National Market Reports, Inc., Maclean Hunter Bldg., 29 N Wacker Drive, Chicago, IL 60606.

Trucks. Current Blue Book, Official Used Truck Valuation for Region A, published by National Market Reports, Inc., Maclean Hunter Bldg., 29 N Wacker Drive, Chicago, IL 60606.

Intertec Publishing: Trade-In Guides:

Truck Campers and Motor Home Trade-In Guide

Camping Trailer and Travel Trailer Trade-In Guide

Official Snowmobile and ATV Trade-In Guide

Outboard Motor Trade-In Guide Blue Book

Inboard and Outdrive Boat Trade-In Guide Blue Book

Outboard Boat Trade-In Guide Blue Book

Boat Trailer Trade-In Guide Blue Book

Sailboat Trade-In Guide Blue Book

Pontoon House Boat Trade-In Guide Blue Book

Lawn, Garden and Farm Tractor Trade-In Guide

The Trade-In Guides are published by Intertec Publishing Corp., P.O. Box 12901, Overland Park, Kansas 66212.

(State Board of Tax Commissioners; 50 IAC 4.2-15-10; filed Dec 7, 1988, 9:35 a.m.; 12 IR 897, eff Mar 1, 1989)

50 IAC 4.2-15-11 Reporting requirements and disclosure of information

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 11. (a) Confidential returns. Following will be found the complete text of IC 6-1.1-35-9, pertaining to the confidential nature of information shown on certain assessment returns.

IC 6-1.1-35-10, IC 6-1.1-35-11, IC 6-1.1-35-12 and IC 6-1.1-37-2 also provide penalties for unauthorized disclosure of confidential information.

Prescribed Forms 102, 103, 103-I, 103-N, 103-O, 103-P, 103-R, 103-T, 103-W, and 106 (50 IAC 4.2-2-9), together with any schedules or other information attached thereto, are confidential and should not be disclosed to any person unless specifically authorized by law.

Because of the serious penalties, it is extremely important that confidential returns be preserved in a locked file or other place of safe keeping, where they cannot fall into unauthorized hands. Also, the returns should not be left unattended at any time when removed from such filing place for use of assessing officials.

IC 6-1.1-35-9 Confidential information; disclosure.

Sec. 9. (a) All information which is related to earnings, income, profits, losses or expenditures and which is either given by a person to an assessing official or acquired by an assessing official in the performance of his duties is confidential. The assessed valuation of tangible property is a matter of public record and is thus not confidential. Confidential information may be disclosed only in a manner which is authorized under subsection (b), (c), or (d) of this section.

(b) Confidential information may be disclosed to an official or employee of:

(1) this state or another state;

(2) the United States; or

(3) an agency or subdivision of this state, another state, or the United States;

if the information is required in the performance of his official duties.

(c) The following state agencies, or their authorized representatives, shall have access to the confidential farm property records and schedules which are on file in the office of a county or township assessor:

(1) the Indiana state board of animal health, in order to perform its duties concerning the discovery and eradication of farm animal diseases;

(2) the department of agricultural statistics of Purdue University, in order to perform its duties concerning the compilation and dissemination of agricultural statistics; and

(3) any other state agency which needs the information in order to perform its duties.

(d) Confidential information may be disclosed during the course of a judicial proceeding in which the regularity of an assessment is questioned.

(e) Confidential information which is disclosed to a person under subsection (b) or (c) of this section retains its confidential status. Thus, that person may disclose the information only in a manner which is authorized under subsection (b), (c), or (d) of this section.

(b) Signature of authorized person required. It is important to understand two (2) basic features of personal property assessment returns that distinguish them from real property assessments:

(1) self-assessment returns; and

(2) signed by the taxpayer under the penalty of perjury that it is a true, correct, and complete return.

In assessing real property, the assessing official is charged with the duty to assess the property in accordance with the rules prescribed by the state board (50 IAC 2.1 [*50 IAC 2.1 was repealed filed Sep 14, 1992, 12:00 p.m.: 16 IR 662, eff Mar 1, 1995; errata filed Dec 1, 1992, 5:00 p.m.: 16 IR 1178. See 50 IAC 2.2*]). In this case, the assessing official has been trained in the methods for assessing real estate and he/she initiates the assessment of this type of property and notifies the taxpayer.

Personal property, on the other hand, is a self-assessment method of taxation requiring the taxpayer to complete the assessment return in accordance with the rules prescribed by the state board (this article).

The township assessor's responsibility is defined in IC 6-1.1-3-6, IC 6-1.1-3-7, and IC 6-1.1-3-14. This language clearly demonstrates that personal property returns are required to be self-assessment returns prepared and signed by the taxpayer (authorized person) "under the penalties of perjury" that it "is a true, correct and complete" return and that it is prepared in accordance with IC 6-1.1 et seq. as amended, and rules promulgated with respect thereto.

The taxpayer is responsible for the accuracy of the information on the return, that it is a complete return, and that it has been prepared in accordance with the law and rules of the state board. The following examples demonstrate why 50 IAC 4.2-2-9(e), provides that a return form is not valid unless it is signed under the penalties of perjury by a person authorized to file such return.

EXAMPLE 1

Return not signed by taxpayer. Return prepared by assessor prior to May 15. The taxpayer refuses to pay the tax bill when received and demands to know what generated the potential tax liability. The county treasurer sends the taxpayer to the township assessor's office since he maintains the files which caused the tax bill to be sent. The assessor produces an assessment return which is not dated or signed by the taxpayer.

The taxpayer might challenge the assessment as being incorrect, not prepared from information provided by him and proceed to court.

The taxpayer may deny that he was present when the assessor prepared the return.

The taxpayer points out that the law requires a self-assessment return be filed.

What is the assessor's defense if he prepared the assessment prior to the taxpayer's filing deadline? The assessor had no statutory authority to act until after the taxpayer's filing deadline (May 15) had expired.

EXAMPLE 2

Return not signed by taxpayer. Return received via mail reflecting a one hundred ninety-five thousand five hundred dollars (\$195,500) assessed value. The taxpayer refuses to pay the tax bill when received and demands to know what generated the potential tax liability.

Who prepared and sent the return?

What if the business listed denies that they prepared the return? There is no documentation that the owner or any particular employee prepared the return.

Maybe his computer prepared the return and the correct assessment should be eighty-five thousand two hundred dollars (\$85,200).

How can you, as assessor, prove that the taxpayer prepared the return? You can't because it's not signed and dated.

The township assessor should provide whatever assistance is reasonable and necessary to ensure that the taxpayer may file a correct tax return. This would include:

- (1) furnishing copies of assessment return forms;
- (2) providing copies of this article and amendments;
- (3) providing copies of rules and/or instructional bulletins applicable to that business (for example, 50 IAC 4.2-15-7, for petroleum prices prescribed); and
- (4) answering any questions on how to properly file an assessment return, etc.

If an assessing official does assist in the preparation of the return form from information supplied by the taxpayer because he simply doesn't understand how to fill it out, that official should be sure to explain each step as they go through the return so that the taxpayer understands what is being done and that what he is signing is true and correct. The taxpayer must sign and date the return in all cases.

(c) Assessor's duties if no return is filed by due date. If no return has been filed by the taxpayer by the due date, and the assessor acts to assess the property after May 15, he is authorized by law to do so. In fact, he is required to notify the county auditor that a twenty-five dollars (\$25) penalty should be applied to the taxpayer's tax bill since the taxpayer did not file a return by the due date. At this point, the assessor has two (2) options:

Option 1: The assessor may examine the books and records of the taxpayer and assess the personal property to the person in conformity with IC 6-1.1-3-15.

Option 2: As an alternative, the assessor may estimate the value of the personal property and assess the taxpayer. However, the taxpayer may elect to file a return by June 14 subject to the penalties imposed by IC 6-1.1-37-7.

(d) Reporting requirements; adjustments. There are three (3) basic types of adjustments and each type has its own requirements. Each type will be discussed separately, however, there are common requirements which must be met in order to qualify for an adjustment. The state board is requiring a full and complete disclosure of all items that affect the values being reported on the personal property return.

The three (3) types of adjustments are:

- (1) exemptions;

- (2) allowable adjustments; and
- (3) mandatory adjustments.

In order to ensure consistency, the personal property return must be regarded as consisting of the return forms (Form 102 or 103 and Form 104 (50 IAC 4.2-2-9)) and all of the supplemental schedules that are attached to or filed with the return form. This is the principle of the “complete return package”, which contains all of the information the state board requires to be reported.

The state board is establishing the following reporting requirements in order to obtain uniformity in the treatment of all taxpayers:

(1) Exemptions. “Exemption” means a situation where a certain type of property, or the property of a certain kind of taxpayer, is not taxable (IC 6-1.1-1-6). There are three (3) basic types of exemptions which are permitted to be claimed on the annual business personal property return that are available to a taxpayer. These exemptions include:

- (A) air pollution control equipment;
- (B) industrial waste control equipment; and
- (C) inventory exemptions, including:
 - (i) interstate commerce;
 - (ii) government-owned; and
 - (iii) driver's education automobiles.

With one (1) exception, these exemptions must be claimed in the personal property return. IC 6-1.1-11-1, states that an exemption is a privilege which may be waived by a person who owns tangible property that would otherwise qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, he waives the exemption. If the exemption is waived, the property is subject to taxation.

Clearly, if a person does not claim an exemption, he has waived his right to that exemption. In addition, the state board has held that a person is entitled to an exemption not to exceed the amount claimed on the return.

Please keep in mind that the property must meet the requirements of the individual exemption statutes. These reporting requirements assume that the property meets all of the other requirements.

In order to meet reporting requirements, air pollution control equipment must be shown on either Form 103-P or on Line 4, Schedule A of Form 103 (or Line 3, Schedule A of Form 102) (50 IAC 4.2-2-9). This meets its statutory requirement that it be shown on the return.

Industrial waste control equipment (better known as water pollution control equipment) must be shown on Form 103-P or on Line 5, Schedule A of Form 103 (or Line 3, Schedule A of Form 102) (50 IAC 4.2-2-9). In addition a claim must be filed with the department of environmental management by certified or registered mail. These requirements conform to IC 6-1.1-10-10 which requires the taxpayer to file a claim with the return and to also file a claim with the department of environmental management.

Provided it meets the statutory requirements, inventory in interstate commerce must be shown on either Form 103-W or on Line 19, Schedule B of Form 103 (50 IAC 4.2-2-9) to receive the exemption.

Driver education vehicles that meet the requirements of 50 IAC 4.2-12-12, must be shown on either Form 106, Form 103-W, or on Line 19, Schedule B of Form 103 (50 IAC 4.2-2-9).

The one (1) exception is government-owned inventory. A taxpayer who has government-owned inventory need not show it on the return in order to receive the exemption.

It should be shown as exempt on the return, but if it is not shown, the taxpayer is still entitled to the

exemption.

It should be noted that when the reporting requirements have been met, but for some reason the exemption is not allowed, the amount disallowed is an interpretive difference as outlined in 50 IAC 4.2-2-10(d) and is not subject to the omitted or undervalued personal property tax penalty.

However, when items that would otherwise qualify for an exemption are omitted from the return, the property is taxable, because the exemption was waived, and the omitted and undervalued personal property tax penalty must be applied.

(2) Allowable adjustments. Allowable adjustments can be defined as an adjustment that affects the value of personal property when the adjustment is truly elective. The taxpayer must elect the adjustment when the return is filed. If the taxpayer fails to properly elect the adjustment when the return is filed, the taxpayer is not entitled to the adjustment. The adjustment is not mandatory.

The allowable adjustments include:

(A) average inventory adjustment; and

(B) alternative method of valuing inventory.

IC 6-1.1-3-9 requires that a taxpayer make a complete disclosure of all information, required by the state board, which is related to the value, nature, or location of personal property on his personal property tax return for that year. This requires a full disclosure return.

The average inventory adjustment is somewhat different in that IC 6-1.1-3-11 and IC 6-1.1-3-12, contain specific language regarding the adjustment.

A taxpayer who wishes to elect the average method must notify the township assessor of the election when he files his personal property return. The election is binding for all future years, unless written permission of the state board is given, and must be used for all locations in Indiana. The taxpayer must also keep books that clearly show the inventory on hand.

The alternative method of inventory valuation, which is available only to manufacturers and processors, is very similar to the average method of inventory valuation, except that the requirements for this method are contained in 50 IAC 4.2-5-7. Like the average method, the taxpayer must elect the alternative method when he files the return, must use the method at all locations in Indiana, and may not change to any other method unless written permission is given by the state tax board.

Consistent with the state board's "complete return package" principle, the reporting requirements for allowable adjustments are similar to the requirements for exemptions.

For the average inventory adjustment, an amount should be shown on Schedule B, Line 11 of Form 103-Long or the calculation of the adjustment on Form 106 (50 IAC 4.2-2-9). Without one (1) of these entries on the return, the township assessor has no way of knowing the taxpayer has actually elected the average inventory method.

The computation of the alternative method should be attached to the return and/or shown on Form 106 (50 IAC 4.2-2-9), or some other indication that the alternative method is being elected should be shown on the return. Such indication may include the surrender of the thirty-five percent (35%) valuation allowance on finished goods and work in process.

The answers to question #8 on the front of Form 103 (50 IAC 4.2-2-9), may indicate whether or not the average or alternative inventory methods have been elected. However, the intent of the taxpayer as evidenced by computations on his return is the best indicator of whether or not either of these methods has been elected.

(3) Mandatory adjustments. The remaining adjustments are mandatory adjustments that must be made regardless of whether or not they were claimed or shown on the personal property return.

Mandatory adjustments reflect the value of personal property required to be reported in conformity with the provisions of this article. Therefore, regardless of whether the taxpayer shows the adjustment in his/her filing rendition, the assessing official must make the adjustment in order to arrive at the proper value for assessment purposes per the mandates of this article. Permanently retired equipment and abnormal obsolescence are adjustments which should be recognized to the extent that the property qualifies and the taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.

The mandatory adjustments for depreciable assets include:

- (A) adjust to federal tax basis;
- (B) add fully depreciated property still in use but written off;
- (C) add cost of installation and foundation applicable to depreciable personal property;
- (D) equipment not placed in service;
- (E) valuation of special tooling;
- (F) permanently retired equipment;
- (G) valuation of commercial aircraft and interstate motor truck carriers;
- (H) abnormal obsolescence;
- (I) true tax value limited to thirty percent (30%) of adjusted cost;
- (J) true tax value % factors applicable to each year's acquisitions;
- (K) placement by year of acquisition in the proper pool based upon life utilized for computing cost recovery (depreciation) for federal tax purposes; and
- (L) assessment ratio of thirty-three and one-third percent (33 $\frac{1}{3}$ %) of true tax value.

The mandatory adjustments for inventory include:

- (A) adjust book inventory to March 1;
- (B) add unrecorded inventory;
- (C) adjust to "first-in-first-out" (FIFO);
- (D) add manufacturing overhead not included in inventory;
- (E) add allocable costs of wholesalers or retailers not included in inventory;
- (F) add freight-in not included in inventory;
- (G) add royalties, editorial, license, or copyright fees not included in inventory;
- (H) add taxes (other than state, local, and foreign income taxes) not included in inventory;
- (I) deduct inventory recorded but not received;
- (J) deduct purchase or trade discounts;
- (K) adjustment from standard to actual cost;
- (L) abnormal obsolescence;
- (M) thirty-five percent (35%) valuation adjustment if the alternative method is not elected; and
- (N) assessment ratio of thirty-three and one-third percent (33 $\frac{1}{3}$ %) of true tax value.

With the exception of the valuation of permanently retired equipment and abnormal obsolescence, these adjustments for depreciable assets and inventory are not interpretive differences. They are adjustments which must be applied to any omitted or undervalued property when discovered. Any resulting differences in assessment between the amount reported by the taxpayer and the amount of assessment determined by the assessing official after making all mandatory adjustments is [*sic.*] subject to the twenty percent (20%) penalty, while interpretive differences (exemptions, valuation of permanently retired equipment, and abnormal obsolescence claimed on return filed) and math errors on the face of the return are not subject to the penalty.

(4) Additional requirements. As previously mentioned, IC 6-1.1-3-9, requires that a taxpayer make a complete disclosure of all information, required by the state board, that is related to the value, nature, or location of personal property. If for any reason an assessing official should have a question regarding an adjustment, or when an adjustment is taken but not fully explained, or the computation is not attached as required, then the assessing official should request that the taxpayer submit the necessary information. This will enable all assessing officials to carry out their statutory duties of examining returns each year to determine if they substantially comply with the rules of the state board.

(State Board of Tax Commissioners; 50 IAC 4.2-15-11; filed Dec 7, 1988, 9:35 a.m.: 12 IR 897, eff Mar 1, 1989)

50 IAC 4.2-15-12 Assessment of outdoor advertising signs

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 12. Pursuant to the provisions of 50 IAC 4.2-1-5 and 50 IAC 4.2-7 the state board of tax commissioners has adopted the following schedule of values to be utilized in the assessment of various sizes of outdoor advertising signs.

The values per sign facing were determined in accordance with the provisions of 50 IAC 4.2-4, for the valuation of depreciable tangible personal property. The values were determined recognizing a fifteen (15) year useful life for federal tax purposes and applying the Pool #4, true tax value percentage factors as provided for in 50 IAC 4.2-4-7. These values must be used throughout the state of Indiana in assessing these outdoor advertising signs to provide for a uniform and just valuation.

The supplemental Schedule #2 listing of signs by location and address will provide the assessing official adequate information with which to insure that all signs are being properly reported in his taxing jurisdiction. The total true tax value from Schedule #2 is to be transferred to Form 103, Schedule A, lines 61 and 69 (50 IAC 4.2-2-9), and added to the value of other depreciable property, if any, for each taxing district where the property is located. In addition, the Form 105, Business Tangible Personal Property Summary of Returns (50 IAC 4.2-2-9), is required to be filed with the state board on or before July 15 of the assessment year.

Approved by the State Board
of Tax Commissioners for Use
by Outdoor Advertising Companies

Supplemental Schedule of
Tangible Personal Property
Reported on form 103

Name of Taxpayer

Address

City or Town

Property Location

County

Township

Taxing District

Schedule I

Unit Values Per Face For
The March 1, _____ Assessment Date

Description and Type of Sign	Unit Value Per Face	Description and Type of Sign	Unit Value Per Face

<u>Single Pole Structure</u>		<u>Other Billboards</u>	
48' and over, Illuminated	\$1,550	50' and over, Illuminated	\$780
48' and over, Non-Illuminated	1,440	50' and over, Non-Illuminated	690
26' to 47', Illuminated	1,150	40' to 50', Illuminated	610
26' to 47', Non-Illuminated	1,030	40' to 50', Non-Illuminated	520
25' and under, Illuminated	580	30' to 40', Illuminated	400
25' and under, Non-Illuminated	490	30' to 40', Non-Illuminated	350
		20' to 30', Illuminated	250
		20' to 30', Non-Illuminated	210
		Under 20', Illuminated	130
		Under 20', Non-Illuminated	100

SCHEDULE II LIST TYPES OF SIGNS AND NUMBER OF FACES BEING REPORTED ON THIS RETURN

Description of Sign	Location of Property	Address of Property	# of Faces	Unit Value per Face	Total TTV
Total True Tax Value—To Form 103, Schedule A, Lines 61 and 69					

(State Board of Tax Commissioners; 50 IAC 4.2-15-12; filed Dec 7, 1988, 9:35 a.m.: 12 IR 902, eff Mar 1, 1989)

50 IAC 4.2-15-13 Assessment of interstate motor truck carriers under the international registration program

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1

Sec. 13. (a) Indiana has joined with other states in an agreement dealing with the registration of certain vehicles used in interstate commerce. This agreement is commonly known as the international registration plan (IRP). The purpose of this section is to address the assessment of this property now that Indiana has joined the IRP.

(b) International registration plan. Under the IRP, trucks (mandatory for trucks licensed for more than twenty-six thousand (26,000) pounds or having more than two (2) axles, optional for those trucks between sixteen thousand (16,000) and twenty-six thousand (26,000) pounds), trailers, semi-tractors, and other related vehicular equipment used and operated in interstate commerce are registered on a business address basis, no matter where the vehicle is actually situated. Companies choosing to register their vehicles in Indiana will register directly with the bureau of motor vehicles in Indianapolis rather than at the local county license

branches. Registration fees collected will be distributed to the states in the IRP on a mileage apportionment basis.

Since vehicles will be registered on a business address basis, any attempt to base assessments on where the vehicles are registered will only create confusion. This is because Indiana situated vehicles may be registered in other IRP states, and non-Indiana situated vehicles may be registered in this state under the plan. In addition, vehicles may be registered at one (1) business address, even though the vehicles may have situses in different taxing districts within the same state.

Therefore, the registration and licensing tool of discovery is no longer of any benefit to assessing officials. Additionally, assessing officials will no longer receive copies of these vehicle registrations from their local license branches.

Assessors should remember that the business personal property assessment return, Form 103, is a self-assessment return subject to examination by the assessing official. IC 6-1.1-3-14 provides in part that:

The township assessor shall examine and verify the accuracy of each personal property return filed with him by a taxpayer. If appropriate, the assessor shall compare a return with the books and records of a taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer. Therefore, the assessing official has the authority and the means to verify the accuracy of the property and its appropriate dollar value as represented on the return filed by a taxpayer.

(c) Statutory and regulatory provisions. The applicable statutory provisions governing the assessability of property and the proper place of assessment are contained in IC 6-1.1-2-1 and IC 6-1.1-3-1.

IC 6-1.1-2-1 provides that all tangible property which is within the jurisdiction of the state on the assessment date of a year is subject to assessment and taxation unless specifically exempted.

The statute determining the proper place of assessment is IC 6-1.1-3-1 and is entitled "Residence and Non-Residence; Place of Assessment; Evidence of Filing". This section provides as follows:

Resident. A person who is a resident of this state shall be assessed at the place where the owner resides on the assessment date of the year for which the assessment is made, unless the personal property is regularly used or permanently located where it is situated (as of March 1 of the assessment year).

Non-resident. A person who is not a resident of this state shall be assessed at the place where the owner's principal office within the state is located on the assessment date of the year for which the assessment is made unless the personal property is regularly used or permanently located where it is situated (on March 1 of the assessment year).

50 IAC 4.2-10-3, provides for the assessment of interstate motor truck carriers and provides that:

In general, the fleet of trucks, trailers, or other related vehicular equipment which is subject to assessment is the interstate fleet that a taxpayer owns, holds, possesses, or controls and that are used and operated in interstate commerce.

50 IAC 4.2-10-3, contains a "dual reporting requirement" to assist the assessing official in the discovery of property subject to assessment in the various taxing districts throughout the state via Forms 103-O and 103-N (50 IAC 4.2-2-9). The section provides:

Owner Must File Form 103-O

(1) The owner of any business personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on his business personal property tax return, Form 103 (50 IAC 4.2-2-9), in the taxing district where the property had a tax situs on the assessment date. The owner of business personal property who transfers possession to another person, shall also furnish a complete informational listing on Form 103-O (50 IAC 4.2-2-9). Form 103-O (50 IAC 4.2-2-9), must show the name and address of the person in possession, model,

description, location, quantities, and value of such property, and shall be attached to the business personal property return, Form 103 (50 IAC 4.2-2-9).

Possessor Must File Form 103-N

(2) Any interstate carrier holding, possessing, or controlling trucks, trailers, or other related vehicular equipment, subject to assessment and taxation on the assessment date, is required to furnish an informational listing on Form 103-N (50 IAC 4.2-2-9), of all not owned property. Form 103-N (50 IAC 4.2-2-9), must be filed in the taxing district where the property had a tax situs, and must show the names and addresses of the lessors and a description of the property.

(d) Assessment. In general, the fact that Indiana joined the IRP does not affect the assessability of interstate trucks, nor is the place of assessment affected. The indices of tax situs other than registration and licensing continue to exist. The indices of tax situs include, but are not limited to, the following:

- (1) The physical presence of the personal property as of March 1.
- (2) The location of the property when not in use as of March 1.
- (3) The normal and regular use of the personal property.
- (4) The point of origin and termination of revenue producing activities.
- (5) The type of facilities the owner or lessee of the personal property has in this state.
- (6) The degree of control exercised by the owner and/or lessee over the personal property from a terminal, office, or other facility within the state.
- (7) Who has possession of the personal property as of the assessment date.
- (8) The type of lease(s) to which the property is subject.

It is important to note that any one (1) or more of the above indices may establish the place of tax situs for the personal property.

To be subject to personal property assessment and taxation in the state of Indiana, the personal property must establish a nexus or tax situs here as of March 1, the assessment date. To establish a tax situs, the personal property must have a physical presence here and receive benefit of the services provided by the property tax. Also, the physical presence test must be something other than of a transitory nature, i.e., passing through the state on its journey from one (1) out-of-state location to another as of the assessment date. Personal property can also establish a tax situs if the property normally has a physical presence here during the tax year but happens to be in transit out-of-state as of the assessment date, i.e., the vehicle normally operating out of an Indiana terminal, being dispatched or at rest when not in use, but in transit out-of-state on March 1.

(e) Discovery and assessment procedures. Assessing officials should remember that the law governing the assessment of this property has not changed, but only one (1) tool of discovery, namely licensing, has been changed. Other methods of discovery still exist which can be very effective. Some of these methods are:

- (1) Examining the prior year's business personal property assessment returns (Form 103 and 103-I (50 IAC 4.2-2-9)) of the interstate motor truck carriers in your taxing district. Assessor's *[sic.]* should remember that the IRP will apply to private carriers as well as contract and public carriers, and should be watchful of, for example, manufacturers or wholesalers who may have vehicles subject to the IRP.
- (2) The dual reporting requirement for leased property (mentioned above) is an excellent source of information for determining whether or not property has been reported for assessment.
- (3) As previously mentioned, assessing officials have the authority to examine a taxpayer's books and records in order to determine if all property has been reported for assessment.

The assessment of this property is very similar to that of other tangible depreciable personal property with one (1) exception. Interstate motor trucks qualify for an allocation factor under 50 IAC 4.2-10-3(f). The allocation factor is computed as follows:

Allocation factor. The allocation factor to determine the portion of the fleet assessable for Indiana property tax purposes is to be determined by dividing the total Indiana miles of the fleet which operates in interstate commerce by the total miles of such fleet traveled throughout the entire system.

The property of an interstate motor truck carrier is reported on Form 103-I (50 IAC 4.2-2-9).

(f) Answers to common questions. The following are answers to questions commonly asked regarding the assessment of interstate motor truck carriers.

(1) Q: If a carrier has previously licensed trucks in several Indiana counties but will now consider all of its equipment as one (1) fleet with a base in just one (1) county, how will property tax be assessed on these units?

A: Indiana law provides in IC 6-1.1-3-7 and IC 6-1.1-3-10 that a taxpayer who owns, holds, possesses, or controls personal property shall file separate personal property returns in each taxing district within the state where he had property located and regularly used. This rule applies whether or not the taxpayer is a resident or non-resident of the state.

(2) Q: Will the tax situs be determined by the base location chosen for licensing/registration purposes or will the tax situs be determined by other factors? (In a few cases, a carrier could even have multiple facilities within the same county but in different taxing districts.)

A: No, the tax situs will not be determined by the location chosen for licensing/registration. (See the answer to Question 1 above.)

(3) Q: Under IRP, an owner/operator has the option of registering a truck which he owns in his own name or in the name of the carrier he is leased to. Previously, most of these units were registered by the carrier in the carrier's base location.

A: 50 IAC 4.2-2-5, provides:

(A) Owner. The owner of any tangible property on the assessment date of a year is liable for the taxes imposed for that year on the property.

(B) Possessory interests. A person holding, possessing, or controlling any tangible property on the assessment date of a year is liable for the taxes imposed for that year on the property unless he establishes that the property is being assessed and taxed in the name of the owner, or the owner is liable for the taxes under a contract with that person and that person timely files a correct Form #103-N supplemental information return.

When a person other than the owner pays any property taxes as required by this section, that person may recover the amount paid from the owner unless the parties have agreed to other terms in a contract. Therefore, a vehicle "predominantly" under lease to a carrier as of March 1 of an assessment year must be reported by that carrier at the terminal or base of operation where regularly used regardless of whose name the vehicular equipment is registered to unless the carrier can establish that the property is being assessed and taxed to the owner/operator at that tax situs.

(4) Q: If an owner/operator decides to register such a truck, in his own name in his home county rather than the carrier's county, which jurisdiction's property tax applies?

A: Individual owners/operators, independent brokers, or owners of vehicular equipment temporarily leased may report said vehicular equipment at the location where the owner resides if a resident of this state. If the owner is a non-resident of this state, the vehicular equipment may be assessed at the owner's principal office within the state if that is where the vehicle is normally kept and maintained. This may be evidenced by the fact that the owner/operator takes the vehicle home at the end of a trip and starts from home on his next trip.

(State Board of Tax Commissioners; 50 IAC 4.2-15-13; filed Dec 7, 1988, 9:35 a.m.; 12 IR 904, eff Mar 1,

1989)

50 IAC 4.2-15-14 Present value of personal property leases

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-31

Sec. 14. Pursuant to 50 IAC 4.2-8-7(d) the board has prescribed the following for the computation of the present value of leased personal property:

(1) If ownership of the property is transferred to the lessee (or may transfer if one (1) of the parties exercises an option) at or before the end of the lease, the term of the lease shall be the term used for computation of the present value.

(2) If title to the property is not transferred to the lessee, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(3) If the length of the lease is not specific, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(4) If the lease contains a “balloon” or “bubble” payment, such payment must be included in the present value computation. A “balloon” or “bubble” payment is a lump sum payment scheduled at the inception of, during, or at the conclusion of the lease.

(5) If the lease indicates the rate of interest included in the payments, such rate shall be used for computing the present value.

(6) If no interest rate is stated in the lease, the rate to be used in the computation shall be the prime commercial bank loan rate (per Indiana National Bank, Indianapolis) on the March 1 nearest to the inception of the lease.

The interest rates to be used for March 1 of certain years is *[sic.]* as follows:

Year	Interest Rate	Year	Interest Rate
1988	8.50%	1982	16.50%
1987	7.50%	1981	18.50%
1986	9.50%	1980	16.50%
1985	10.50%	1979	11.75%
1984	11.00%	1978	8.00%
1983	10.50%		

The state board shall publish subsequent rates annually.

(7) If the amount of any payment(s) (including balloon payments) is not known at the inception of the lease, the present value of the lease payments cannot be computed, and therefore may not be used as the base year value for personal property tax reporting purposes.

(8) If the present value computed in accordance with this section does not result in a reasonable valuation when other facts and circumstances are considered, the computed present value may not be used as the base year value.

EXAMPLE 1

XYZ leased a machine in December, 1982. The term of the lease is seven (7) years, and title to the equipment transfers to XYZ at the end of the lease. The monthly lease payments as stated in the lease

are two hundred dollars (\$200) and the option purchase price at the end of the lease is two thousand dollars (\$2,000). The present value of the lease payments at the inception of the lease would be computed as follows:

P (monthly payment) = \$200

i (monthly interest) = 0.875% (10.50%/12)

N (number of payments) = 84 (7 yrs × 12 mos)

B (balloon payment) = \$2,000

PV of monthly payments + PV of Balloon = \$11,861.92 + 962.08 = \$ 12,824 = Base Year Value of Leased Machine

EXAMPLE 2

ABC leased a piece of equipment in June, 1986. The term of the lease is four (4) years, but title to the property does not transfer to ABC. The prescribed depreciable life of the item for federal tax purposes (in effect at the inception of the lease) was five (5) years. The lease calls for monthly lease payments of one hundred fifty dollars (\$150). The present value of the lease payments at the inception of the lease would be computed as follows:

P = \$150

i = 0.79167% (9.50%/12)

N = 60 (5 × 12)

PV = \$7,142.22 = Base Year Value of Leased Equipment

(State Board of Tax Commissioners; 50 IAC 4.2-15-14; filed Dec 7, 1988, 9:35 a.m.: 12 IR 906, eff Mar 1, 1989)

Rule 16. Severability

50 IAC 4.2-16-1 Severability

Authority: IC 6-1.1-31-1

Affected: IC 1-1-1-8

Sec. 1. If any section or part of any rule of this article or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the other sections, parts, or applications of this article which can be given effect without the invalid section of any rule; and to this end the provisions of this article are severable. *(State Board of Tax Commissioners; 50 IAC 4.2-16-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 907, eff Mar 1, 1989)*